

BEST AVAILABLE COPY



TENTH ANNUAL SURVEY OF  
TRADE PROMOTION PRACTICES  
2000

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**10th Annual Trade Promotion Practices  
and  
Emerging Issues Study**

**2000**

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## **Background**

## Introduction

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The 2000 Survey of Trade Promotion Practices was conducted by ACNielsen during July 2000. The results are based on answers to questions about trade promotion spending practices in 1999, as well as current and future trade promotion activities.

As in the previous nine waves of the study, executives at consumer packaged goods manufacturers were contacted to contribute their company's perspective on trade promotion practices. For the fourth consecutive year we are pleased to also include the perspective of leading retailers on the subject of trade promotions.

The results are based on confidential responses to a survey mailed to senior sales and marketing executives of both manufacturer and retailer companies at the end of July 2000. After the survey was mailed, telephone interviews were completed by C/J Research of Arlington Heights, Ill. A total of 90 senior sales and marketing executives from manufacturer companies and 40 executives from retailer companies participated in the 2000 study. After allowing for nondeliverable surveys and others who disqualified themselves, completion rates were 32% and 28% for the manufacturer and retailer phases, respectively.

***Please note that the results of this study should be viewed qualitatively since responses are from a variety of manufacturers and retailers and are unweighted.***

ACNielsen would like to express its sincere appreciation to the executives who participated in the 2000 ACNielsen Trade Promotion Practices Survey.

## About ACNielsen

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ACNielsen has been helping organizations make better business decisions for more than 75 years. As the recognized global leader in delivering market research, information and analysis to the consumer products and service industries, ACNielsen today helps customers in over 100 countries around the world achieve success by providing a better understanding of their markets.

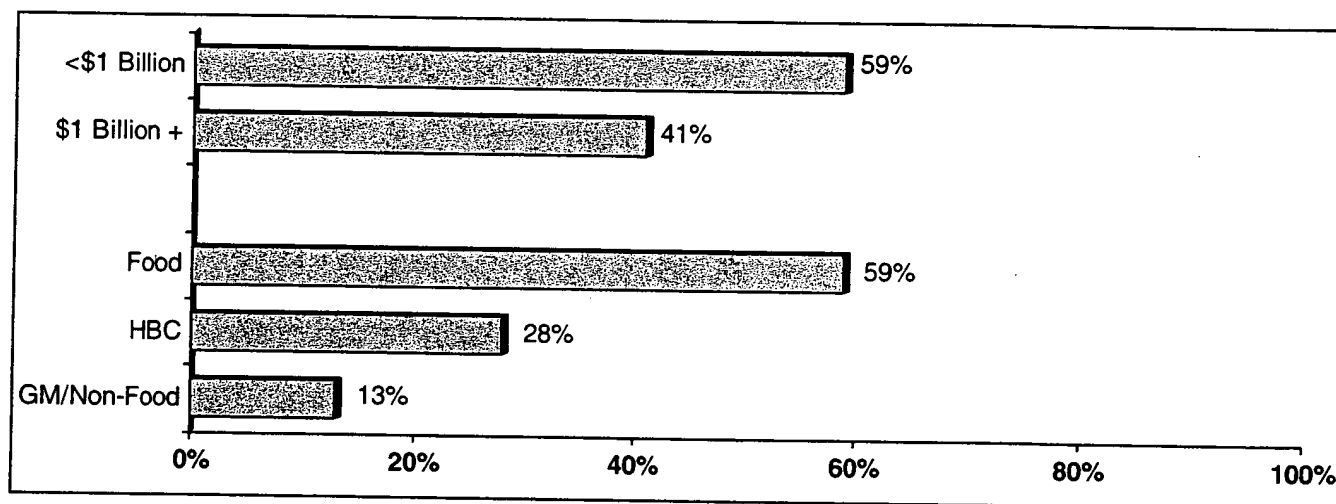
ACNielsen combines information, technology and expertise to deliver valuable insights to its manufacturer and retailer customers. Our clients are diverse, but they each have the same basic needs. They want to know: *What is happening in the marketplace? Why is it happening? What will happen next?* ACNielsen answers these questions by measuring the ever-changing dynamics of the marketplace; creating a better understanding of the forces that influence consumer attitudes and behavior; and providing sophisticated analytical insights that help clients plan for the future. Furthermore, ACNielsen capabilities provide customers with the ability to track sales performance; monitor price changes; manage distribution; analyze promotion execution and impact; and evaluate new item success.

# Sample Profile

## Manufacturers

The manufacturer companies surveyed portray a fairly representative cross-section of consumer packaged goods company sizes and product categories. The 2000 study yielded sample composition in alignment with historical participation profiles. More than half of the respondents indicated annual sales of less than \$1 billion, while the balance of the respondents reported annual sales of more than \$1 billion. Extending a recent trend, a greater percentage of the manufacturer sample was comprised of larger companies.

As in each of the prior studies, grocery product manufacturers (including dry grocery, beverages, refrigerated, frozen and fresh food companies) comprise the majority of the 2000 retailer study sample. In fact, the percentage of manufacturer respondents that classified themselves as grocery product marketers reached an historical high number for this 2000 study. The balance of participating companies represented a wide variety of channel categories; including convenience, mass merchandise, drug, supercenters and specialty.

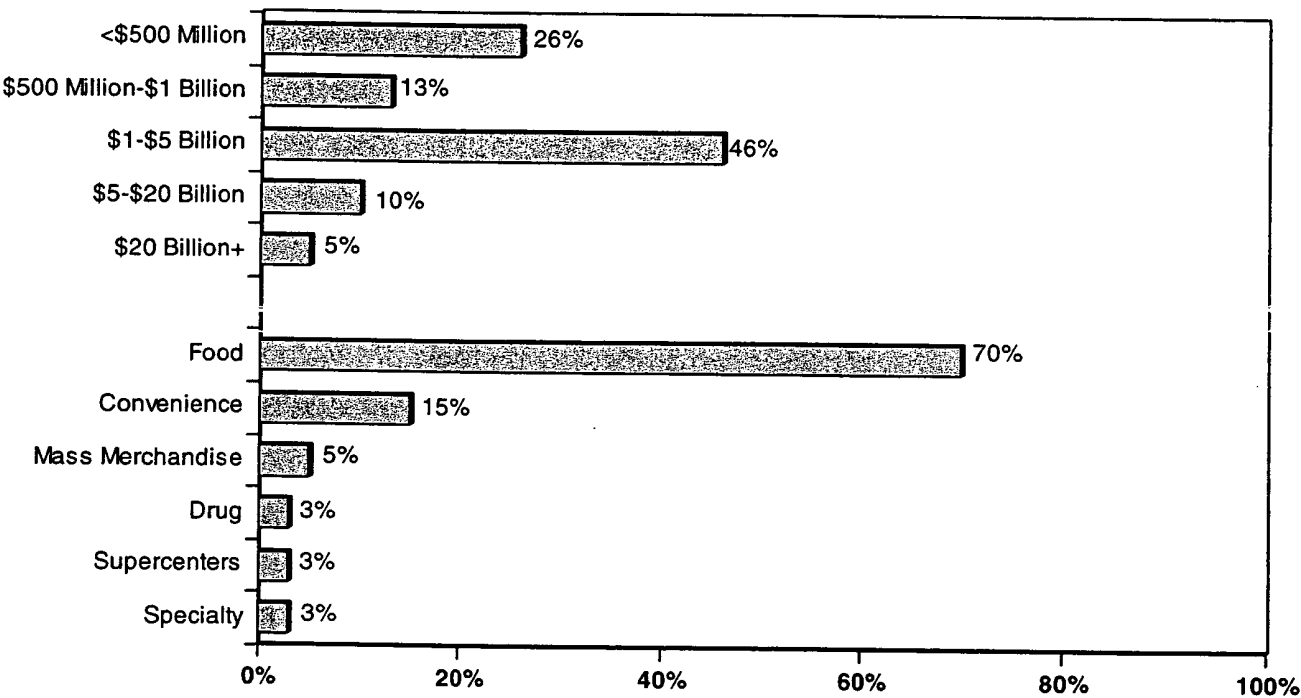


Manufacturer	2000
Respondent Number:	90

# Sample Profile

## Retailers

The retailer sample remained somewhat limited in nature. In an effort to ensure anonymity, the results for the retailers will be discussed only in total. To provide a framework to their perspective, the majority of the sample is made up of food retailers who report total annual sales ranging from \$1 billion to \$20 billion.



Retailer

Respondent Number:

2000

40



## **Insights Summary**

# Insights Summary

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## Introduction

ACNielsen recently conducted its tenth annual survey of manufacturers and its fourth annual survey of retailers regarding trade promotion practices. In this survey, we have asked manufacturers and retailers their attitudes and practices toward trade promotion during the calendar year 1999. Where appropriate, we have provided trended information versus previous years. Please note that the results of this study should be viewed qualitatively since responses are from a variety of manufacturers and retailers and are unweighted.

## Trade Promotion Practices Highlights

### Spending Levels Up

- Nearly 70% of surveyed manufacturers report a measurable increase in the **total** advertising and promotional budget allocated across trade promotion, consumer promotion and media advertising from the previous year.
- Trade promotion spending in particular continues to increase among surveyed manufacturers, particularly among manufacturers of Food and General Merchandise/Non-Food products (60% of these manufacturers indicated increased spending). A significantly lower percentage of Health and Beauty Care manufacturers, however, indicated an increase in spending (21%).
- The increase in trade promotion spending by manufacturers was recognized by retailers with 64% of surveyed retailers reporting that the trade promotion dollars that they received from manufacturers in 1999 increased measurably from 1998.
- As a percentage of sales, participating manufacturers reported that trade promotion spending in 1999 was on average 13% of sales.
  - ⇒Despite a slight peak in spending in 1998 (up to 15% of sales), reported trade promotion spending as a percent of sales has remained extremely consistent over the past nine years of the ACNielsen Trade Promotion Practices study.
  - ⇒It is important to note, however, that for the past seven years, Health and Beauty Care companies have reported spending less on trade promotion (10% in 1999) than their Food (14%) and GM/Non-Food (17%) counterparts.

## Insights Summary (cont'd)

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### Satisfaction Regarding Spending Levels Differ

- **Among manufacturers:** Approximately half of the sample of manufacturers report that their investment in trade promotion is a "Fair Value" (46%). This is down from 61% that perceived it to be a fair value last year. In fact, the percentage of manufacturer respondents who perceive the value to be "poor" (24%) reached an historical high in this year's study - doubling last year's result.
- **Among retailers:** The majority of participating retailers perceive that the share of trade promotion dollars that they receive is not enough. Less than one-third of the study respondents reported that the amount that they receive is sufficient.

*This result extends an interesting dynamic first noted in the 1999 version of the study. Despite reported trade promotion spending increasing among surveyed manufacturers, the clear majority of retailers perceive the share of promotional dollars they receive to not be enough.*

### Details on Areas of Trade Spending Correlate

- Over 50% of manufacturers increased spending in pay for performance, market development funds, and frequent shopper programs. The increase in spending in two of these areas (pay for performance and frequent shopper programs) was also acknowledged by retailers, with nearly 60% of retailers indicating an increase in spending in both of these areas.
  - Overall, manufacturers and retailers showed general agreement on how trade promotion spending increased in 1999, relative to 1998. Specifically, perceptions were in alignment that pay for performance and frequent shopper programs are the tools that received the greatest levels of increased spending in 1999.
- ⇒ Differences in perceptions are apparent in regards to the increases in trade spending for two of the tools. A higher percentage of manufacturers reported increasing spending for market development funds and slotting allowances than retailers reported receiving.
- The average number of weeks allowed for off-invoice promotion during 1999 among surveyed manufacturers was nearly 12 weeks. This time period represents a sharp decline from the 18 weeks on average reported in last year's study. In turn, retailers reported receiving funds for an off-invoice/trade promotion product for nearly nine weeks -- as compared to the six weeks reported for 1998.

*Manufacturer and retailer perceptions regarding the time period associated with off-invoice/trade promotion funding although different, are in closer alignment than in previous studies.*

## Insights Summary (cont'd)

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### Reasons for Trade Spending

- While increasing sales volume was the main reason given by manufacturers for spending on trade promotions, 41% of large manufacturers cited increasing or maintaining market share as their primary reason.
- Both manufacturers and retailers agreed on the impact of trade spending on brand loyalty. However, the extent to which they perceive the impact to be beneficial differs. Retailers are more enthusiastic in their evaluation of the impact of trade promotion spending on brand loyalty, with more than half of surveyed executives indicating that it "definitely helps." Manufacturers are more moderate in their evaluation, with the majority of their favorable perceptions sourced from "helps somewhat" response. Within manufacturing company types, a higher percentage of Food and HBC managers report that trade promotion has a positive impact on brand loyalty versus GM/Non-Food managers.

### Category Management Highlights

- Overall, over three fourths of manufacturers indicated that influencing decisions on their categories, optimizing their item mix, creating positive relationships with retailers and ensuring category leadership were the reasons they practice category management.
  - ⇒When they were asked what was the primary reason, Food and HBC manufacturers were in agreement that it was to influence decisions on their categories.
  - ⇒GM/Non-Food companies, however, were more sales focused, with nearly half of respondents citing increased revenue as their primary reason for doing category management.
  - ⇒Surveyed retailers identified the ability to increase profitability of their organization as the most influential reason for practicing category management.
- Over 80% of surveyed manufacturers and retailers include category business planning, shelf management and assortment planning activities within their category management process. 90% of surveyed retailers use promotional planning as part of their organization's category management process.
- More than 33% of surveyed manufacturers and retailers plan to include Frequent Shopper programs and micro-management activities in their category management practices in the next 12 months.

## Insights Summary (cont'd)

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### Frequent Shopper Programs Highlights

- Over two-thirds of manufacturers (70%) report participating in frequent shopper programs, while a similar percentage of surveyed retailers (63%) report offering a program that benefits frequent shoppers.
- Overall, surveyed manufacturers are less enthusiastic about the benefits of frequent shopper programs than are retailers. Overall, manufacturing executives reported that retailers benefit the most from frequent shopper programs, even more so than consumers. The benefit to the manufacturer was rated the lowest among the manufacturers surveyed. Conversely, retailers indicate that that all three parties benefit relatively the same.
- Study results confirm that retailers do not share their frequent shopper data with manufacturers. Only 15% of manufacturers indicate that retailers "frequently" share data with them. No manufacturers report an existing relationship with a retailer that "always" shares frequent shopper data. Reasons offered for not sharing information centered on privacy issues, questions regarding the benefits of such a relationship and lack of a structured or established sharing program.
- Due to the lack of sharing frequent shopper information by retailers, 60% of manufacturers are not using frequent shopper data in everyday decision making.
- The importance retailers place on the ability to target key consumers through frequent shopper programs is substantiated by the strong percentage of surveyed retailers who report that they use the frequent shopper data to develop direct marketing programs to target individuals consumers based on purchase habits.
- Among manufacturers and retailers currently involved in frequent shopper programs, nearly all plan to continue.

### Critical Issues of Concern to Manufacturers & Retailers

Both manufacturers and retailers were asked to rate a number of critical issues facing the industry today.

- Both manufacturers and retailers agreed that four issues were critical to their business today:
  - ⇒Promotion Efficiency/Effectiveness
  - ⇒Customer Loyalty/Retention
  - ⇒Understanding the Consumers
  - ⇒Category Management
- Not surprisingly, a higher percentage of retailers were concerned about other issues relevant specifically to retailing than were their manufacturer counterparts. Food Safety, Changing Store Formats and Making the Retailer a Brand were seen to be critical by more retailers than manufacturers.
- Among more manufacturers, the Ability to Market at Store Levels was identified as a key than among retailers.
- Both manufacturers (82%) and retailers agreed that the number one issue that will increase in importance over the next 12 months will be the growth in Alternative Shopping Channels. The majority of both manufacturers and retailers felt that Promotion Effectiveness and Understanding the Consumers would also increase in importance over the next year.
  - ⇒Other issues that the majority of retailers believed will increase over the next 12 months included Making the Retailer a Brand, the Growth of Private Label, Changing Store Formats, and Food Safety and Security.
  - ⇒The majority of manufacturers included New Product Introductions on the increase along with the Customer Loyalty and Retention.



## **How to Read Trade Promotion Practice Report**

## How To Read

Section topic

Indicates which industry results are presented on the page below

Manufacturer & Retailer Results

Manufacturer and retailer involvement with frequent shopper programs is in general alignment. Approximately two-thirds of manufacturers report participating in frequent shopper programs, while a similar percentage of surveyed retailers report offering a program that benefits frequent shoppers.

Time period(s) of results presented

Question asked

Written summary of results presented on page

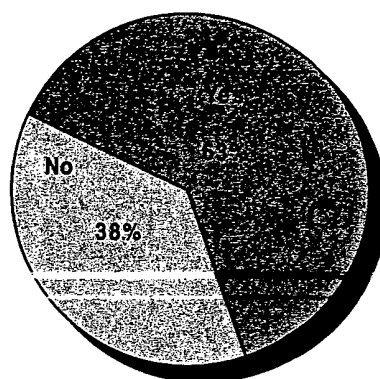
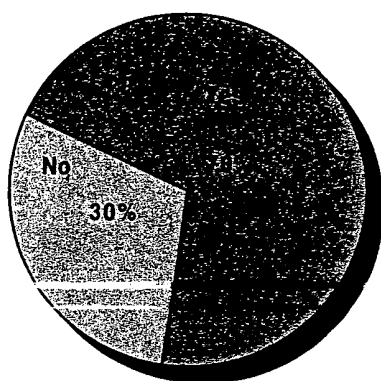
### Offer/Participate in Frequent Shopper Programs

Current Perspective

Manufacturers

Retailers

Industry designator



Number of executives who responded to the question

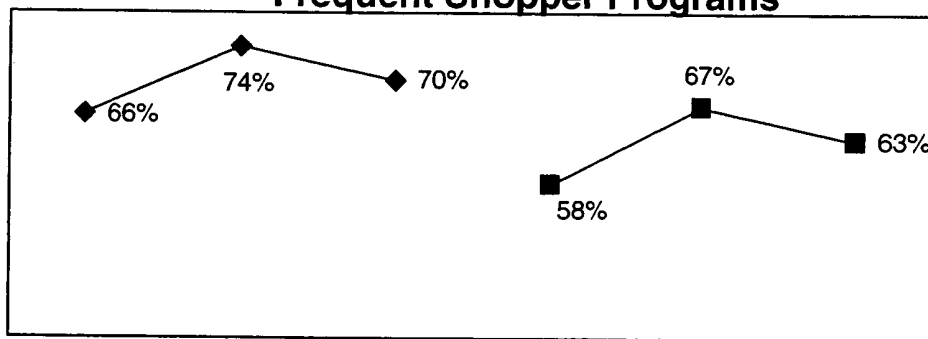
Base Size  
Man: 90  
Ret: 40

The presence of frequent shopper programs is consistent with previous results, but shows some indication of leveling off following measurable growth one year ago.

Time period(s) of results presented

Trend Perspective

### Offer/Participate in Frequent Shopper Programs



Results from previous studies

Manufacturers

Retailers

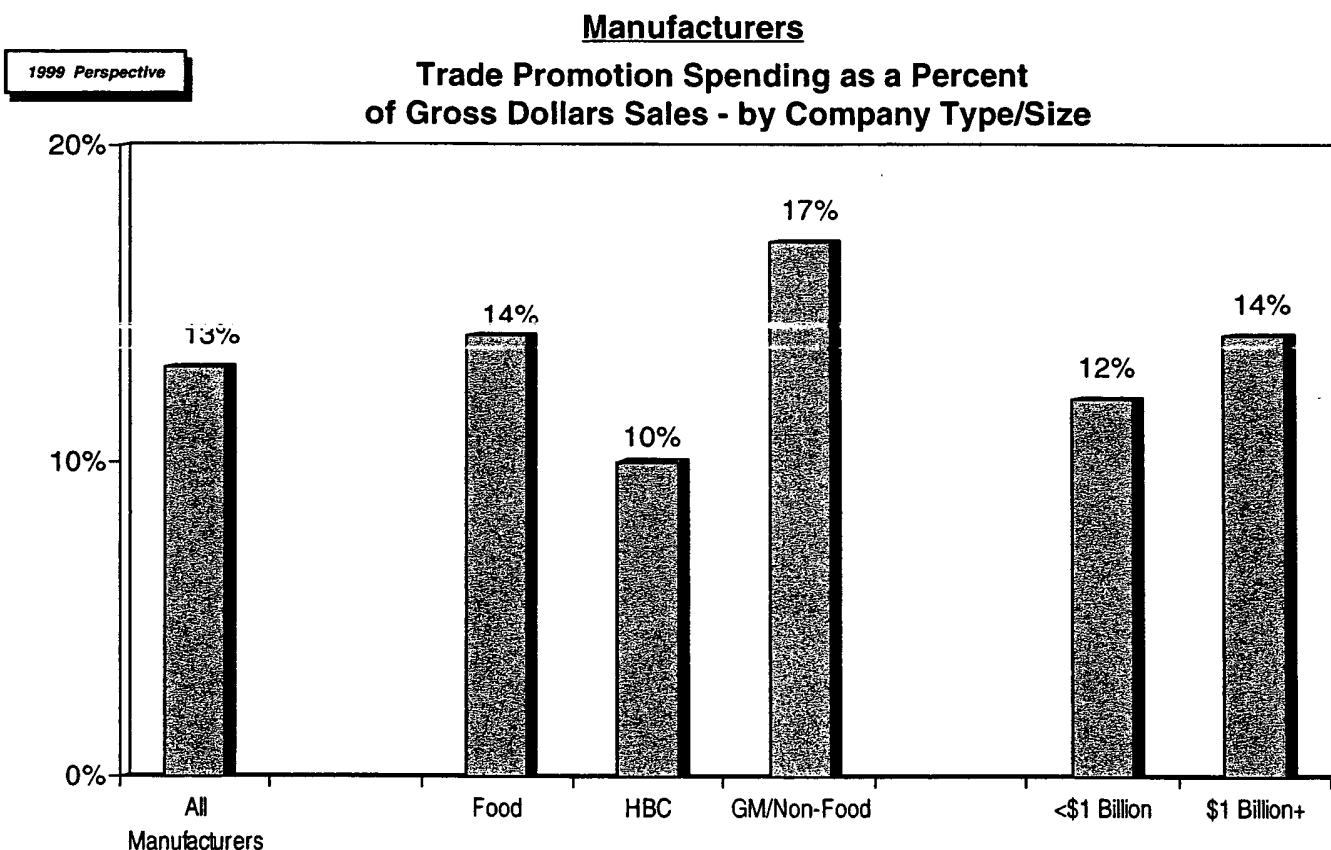


## **Trade Promotion Practices**

## Trade Promotion as a Percent of Gross Dollar Sales

Overall, participating manufacturers reported the that average of trade promotion spending as a percent of sales in 1999 was 13%. The figure represents a return to typical levels following a modest historical high reported in the 1999 version of the ACNielsen study. This spending accounts for approximately \$73 billion in annual expenditure.

Comparatively, HBC organizations report spending less on trade promotion in 1999 than their Food and GM/Non-Food counterparts. This is a seven-year trend. Company size (as defined by annual revenue) does not appear to impact trade promotion spending, as larger and smaller companies spent similar percentages of their sales on trade promotions during 1999.



<b>Base Size</b>	
Man:	90
Food:	53
HBC:	25
GM/NF:	12
<\$1 Bill:	53
\$1 Bill+:	37

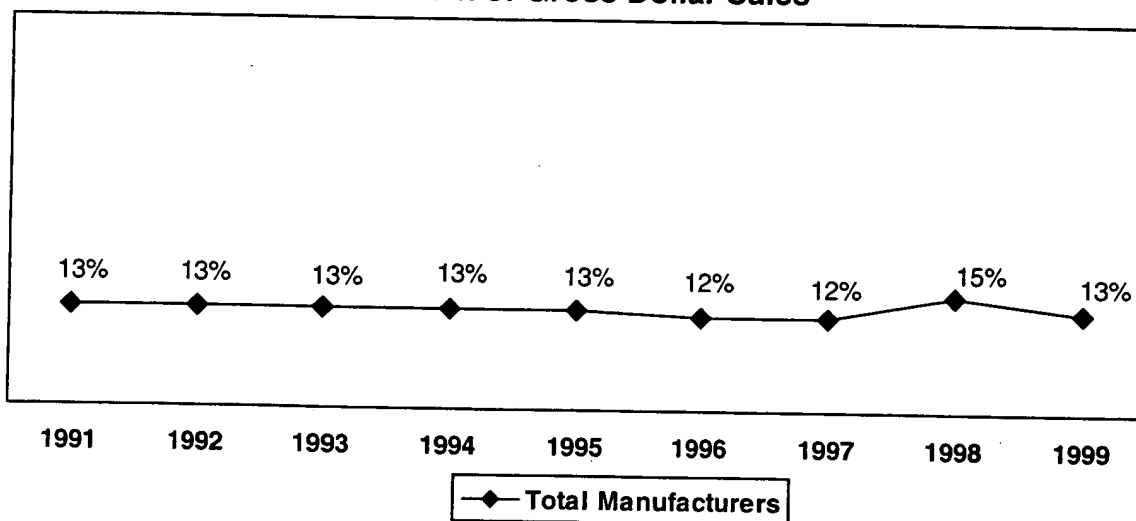
## Trade Promotion as a Percent of Gross Dollar Sales (cont'd)

Despite a marginal decline from a historical high in 1998, reported trade promotion spending as a percent of sales has remained, on average, extremely consistent over the past nine years of the ACNielsen Trade Promotion Practices study.

Trend Perspective

### Manufacturers

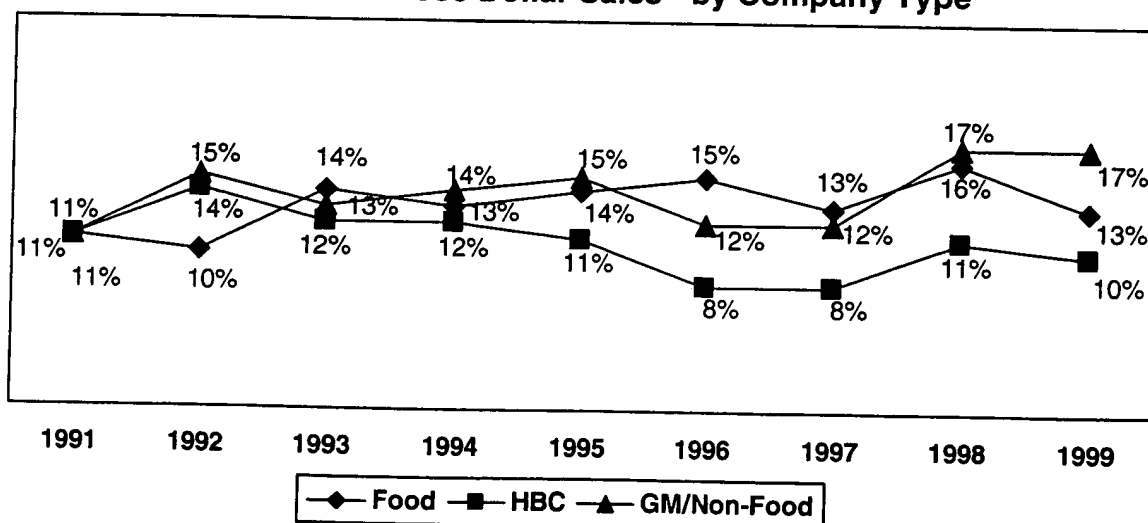
#### Average Trade Promotion as a Percent of Gross Dollar Sales



Trend Perspective

### Manufacturers

#### Average Trade Promotion as a Percent of Gross Dollar Sales - by Company Type



## Trade Promotion Spending as a Percent of Gross Dollar Sales (cont'd)

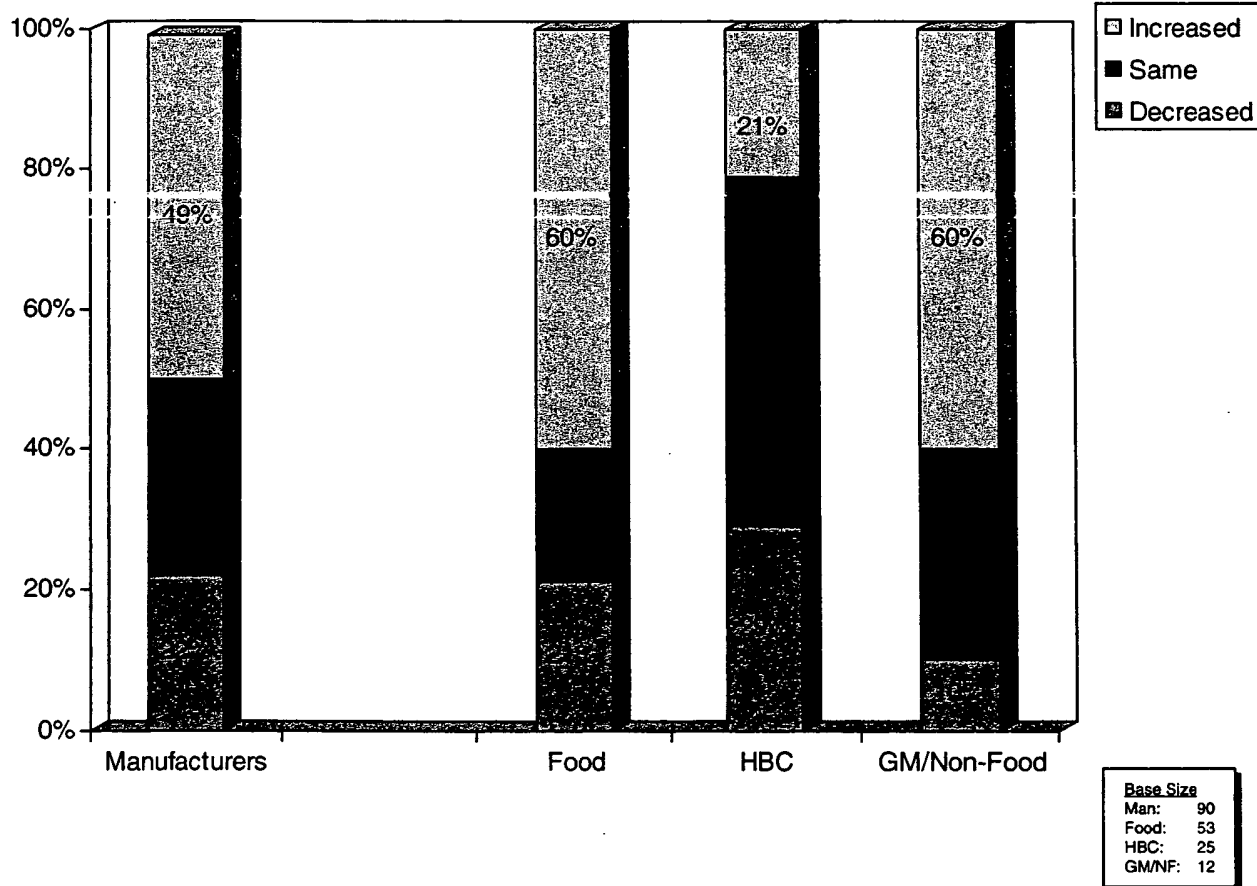
Trade promotion spending continues to increase among surveyed manufacturers. For the second consecutive year, nearly half of surveyed manufacturers report that their organization's total trade spending as a percent of gross dollar sales increased in 1999 compared to 1998 expenditures.

Increased trade promotion spending was most prevalent among Food and GM/Non-Food companies. Conversely, a higher percentage of HBC executives reported. HBC executives reported that their organizations decreased trade promotion spending at a level nearly equal to the increases reported by Food and GM/Non-Food organizations. This finding is supported by the measurably lower level percentage of trade spending as a percent of gross dollar sales reported by HBC companies in this study.

### Manufacturers

1999 Perspective

**Total Trade Spending as a Percent of  
Gross Dollars Compared to 1998 - by Company Type**



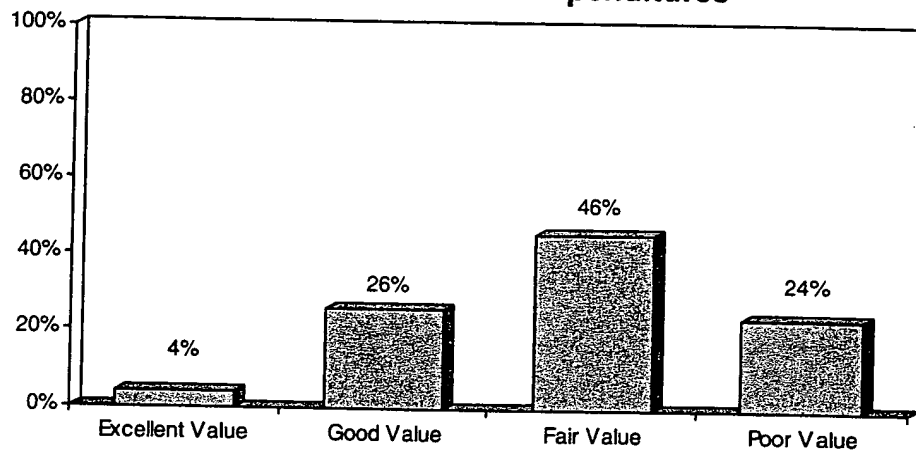
## Trade Promotion Impact

Study results indicate that manufacturers have mixed perceptions regarding the value they receive from trade promotion spending. Approximately half of the sample of manufacturers report that their investment in trade promotion is a "Fair Value." Remaining respondents are split between "Excellent/Good" and "Poor."

### Manufacturers

Current Perspective

#### Perception of Value Received for Trade Promotion Expenditures



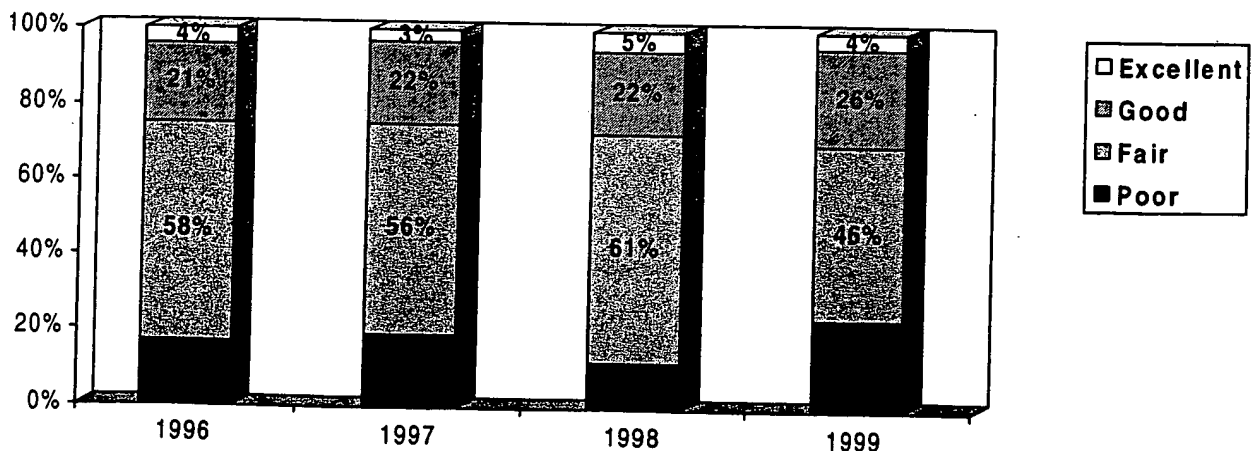
Base Size  
Man: 90

In a slight divergence from the primarily consistent results reported in previous years, perceptions regarding the value received for trade promotion spending showed shifts. Notably, the percentage of manufacturer respondents who perceive the value to be "poor" reached an historical high for this study - doubling last year's result.

### Manufacturers

Trend Perspective

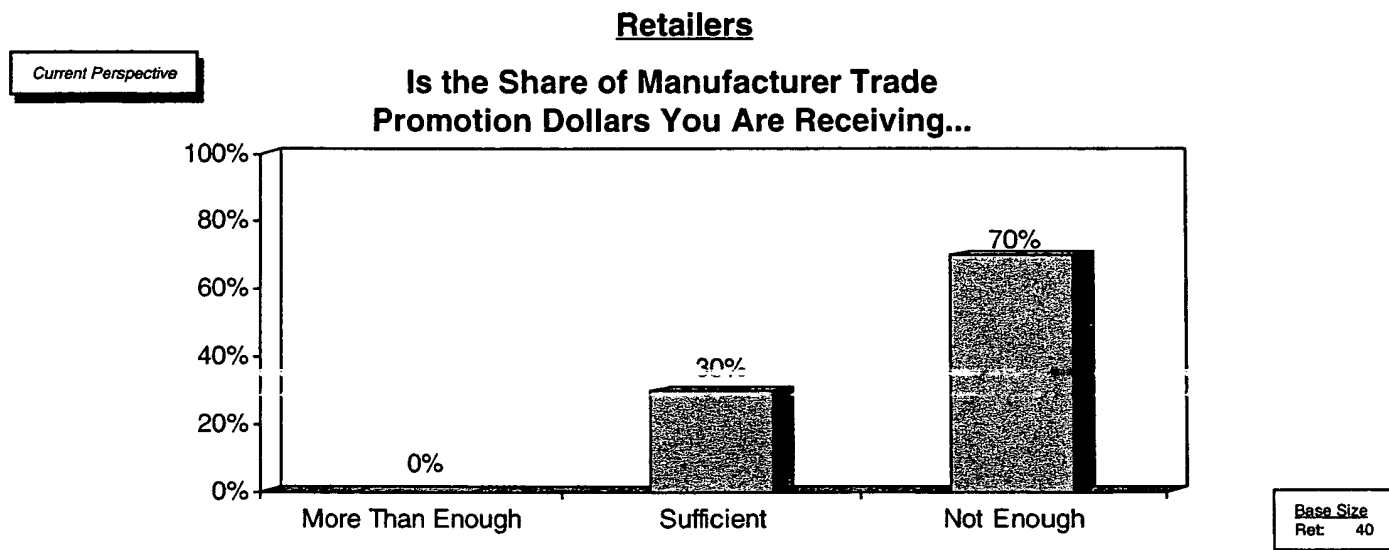
#### Perception of Value Received for Trade Promotion Expenditures



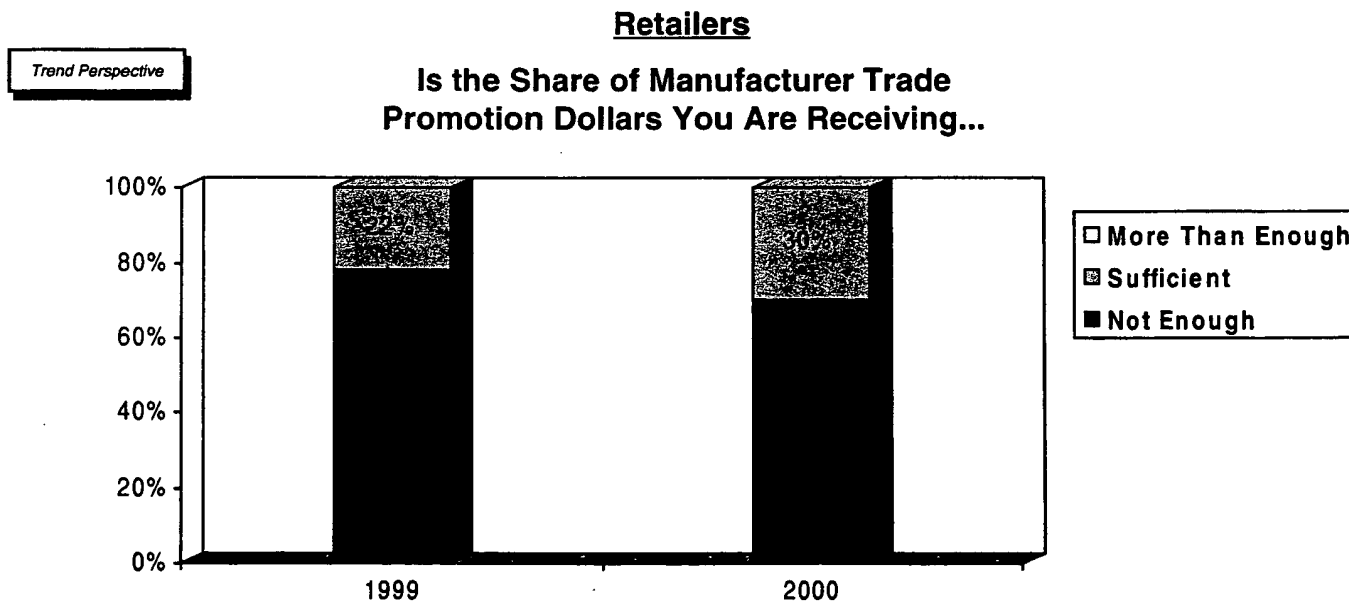
## Trade Promotion Impact (cont'd)

The majority of participating retailers perceive that the share of trade promotion dollars that they receive is not enough. Fewer than one-third of the study respondents reported that the amount that they receive is sufficient.

*This result extends an interesting dynamic first noted in the 1999 version of the study. Despite reported trade promotion spending increasing among surveyed manufacturers, the clear majority of retailers perceive the share of promotional dollars they receive to not be enough.*



The overall assessment of the share of trade promotion dollars received by retailers has been consistent -- "not enough." However, retailers surveyed for the most recent study are moderately more favorable in their evaluation.



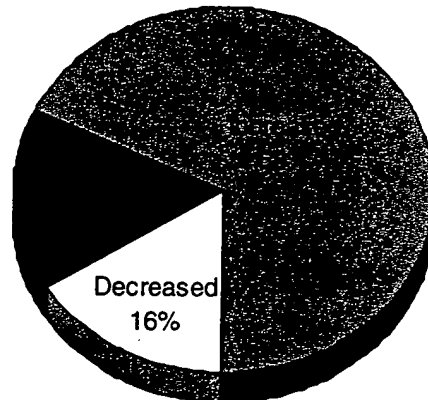
## Distribution of Marketing Dollars

Nearly 70% of surveyed manufacturers report a measurable increase in the total advertising and promotional budget allocated to trade promotion, consumer promotion and media advertising from the previous year.

### Manufacturers

1999 Perspective

#### Total 1999 Advertising/Promotion Budget Allocated to Trade Promotion/Consumer Promotion/Media Advertising Compared to 1998



Base Size  
Man: 90

Percentage of respondents showing increases in the allocation of the total advertising and promotion budget show little differences by company type or size, with all participating organizations reporting marked increases from the previous year.

1999 Perspective

### Manufacturers

#### Total 1999 Advertising/Promotion Budget Allocated to Trade Promotion/Consumer Promotion/Media Advertising Compared to 1998 - by Company Type and Size

	<u>Food</u> %	<u>HBC</u> %	<u>GM/Non-Food</u> %	<u>&lt;\$1 Billion</u> %	<u>\$1 Billion+</u> %
Increased	72	64	64	67	71
Remained Same	17	12	18	17	15
Decreased	11	24	18	17	15

Base Size  
Food: 53  
HBC: 25  
GM/NF: 12  
<\$1 Bill: 53  
\$1 Bill+: 37

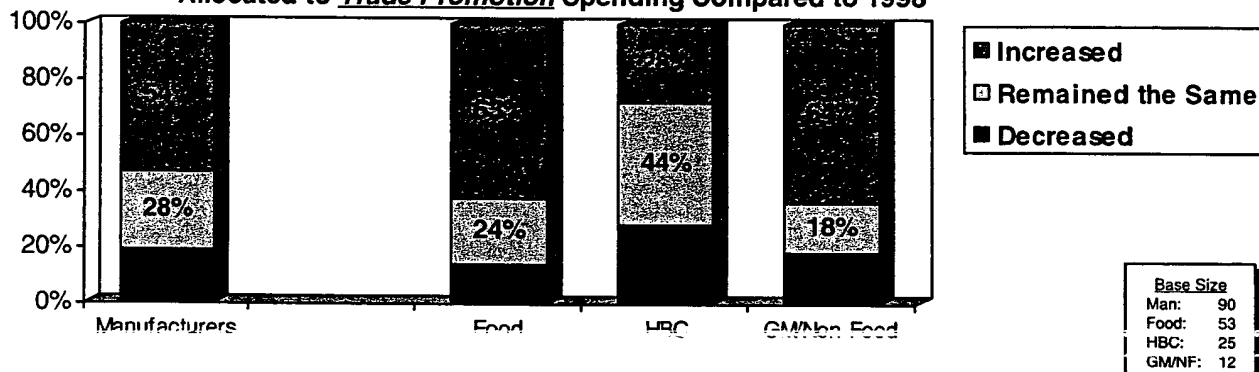
## Distribution of Marketing Dollars (cont'd)

For each of the three areas of marketing spending (trade, consumer, and advertising) between 50 to 60 % of respondents stated that their spending had increased year over year. A higher percentage of participating Food companies reported increased spending towards trade and consumer promotion, while a higher percentage of HBC organizations directed increased spending towards consumer promotion and media advertising.

**Manufacturers**

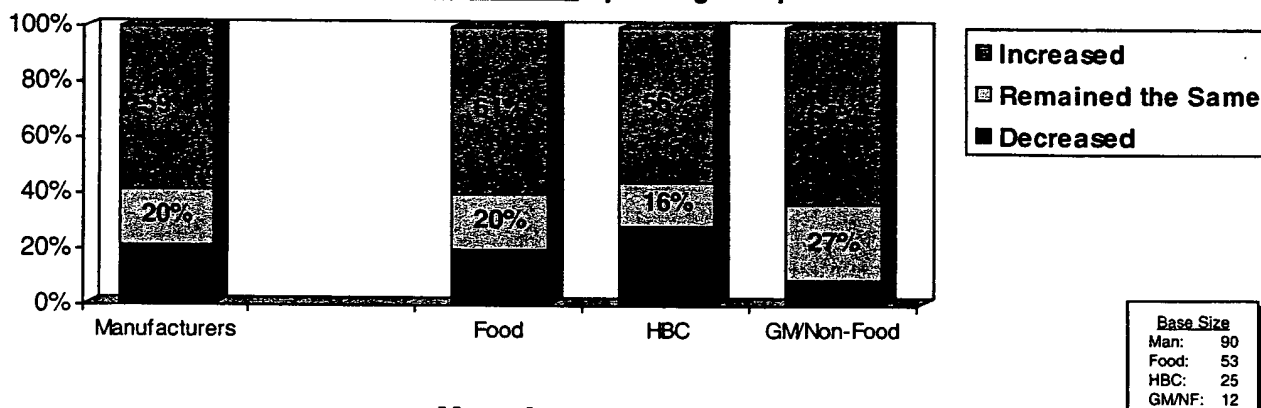
### Manufacturers

Total 1999 Advertising and Promotion Budget  
Allocated to Trade Promotion Spending Compared to 1998



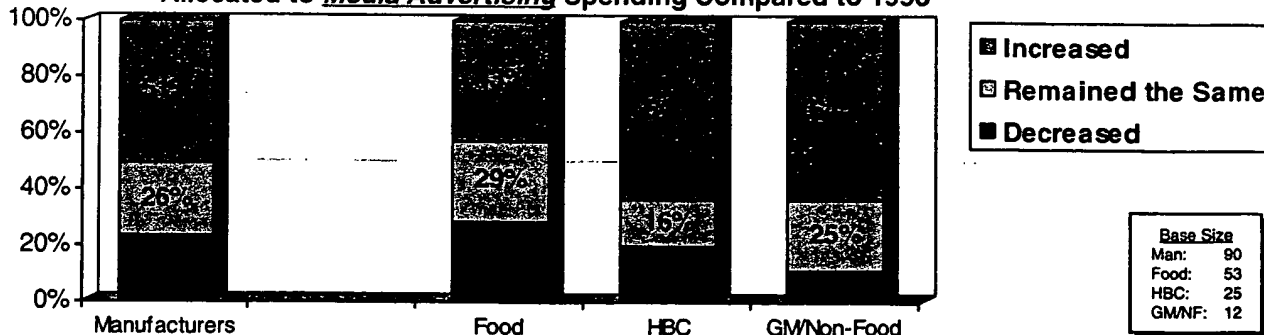
### Manufacturers

Total 1999 Advertising and Promotion Budget  
Allocated to Consumer Promotion Spending Compared to 1998



### Manufacturers

Total 1999 Advertising and Promotion Budget  
Allocated to Media Advertising Spending Compared to 1998





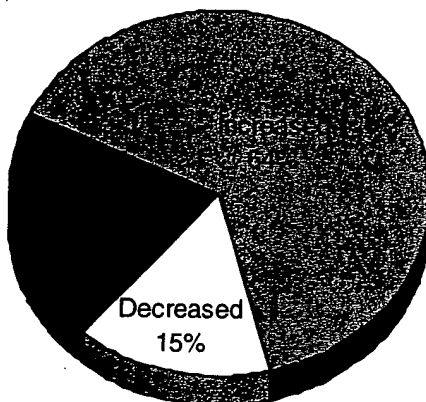
## Source of Promotional Dollars

Surveyed retailers report that their 1999 promotion dollars increased measurably from 1998. This result is in direct alignment with the increased spending reported by manufacturers during the same time period.

1999 Perspective

### Retailers

#### 1999 Total Promotional Dollar Budget Compared to 1998

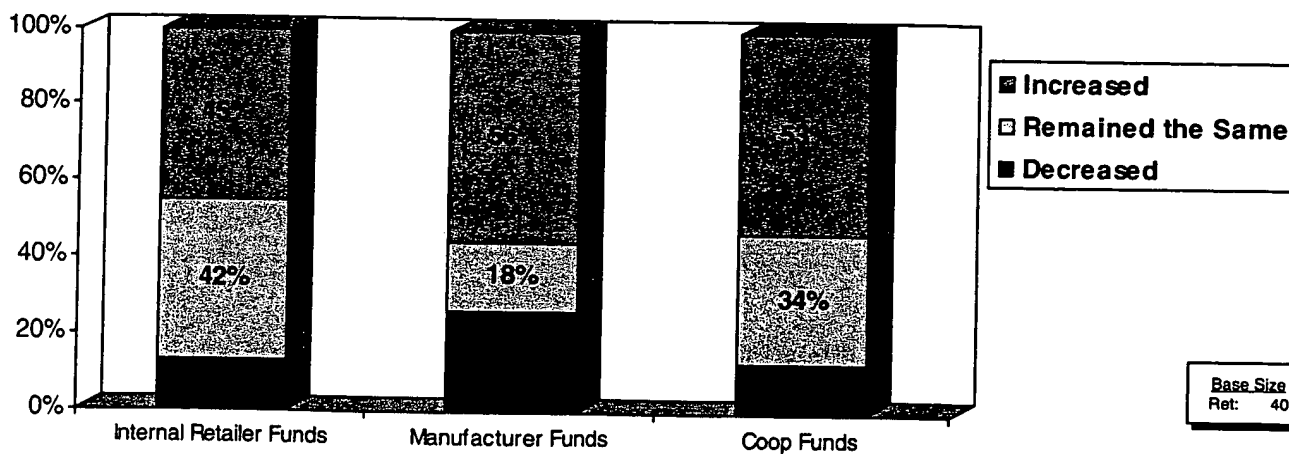
Base Size  
Ret: 40

Over half of retailer respondents indicated that the overall increase noted in promotional dollars available to surveyed retailers was sourced by increases in manufacturer and coop funds. Notably however, at the same time, over 20% of retailer executives report a decline in the availability of manufacturer funds.

1999 Perspective

### Retailers

#### 1999 Source of Promotional Dollars Compared to 1998

Base Size  
Ret: 40

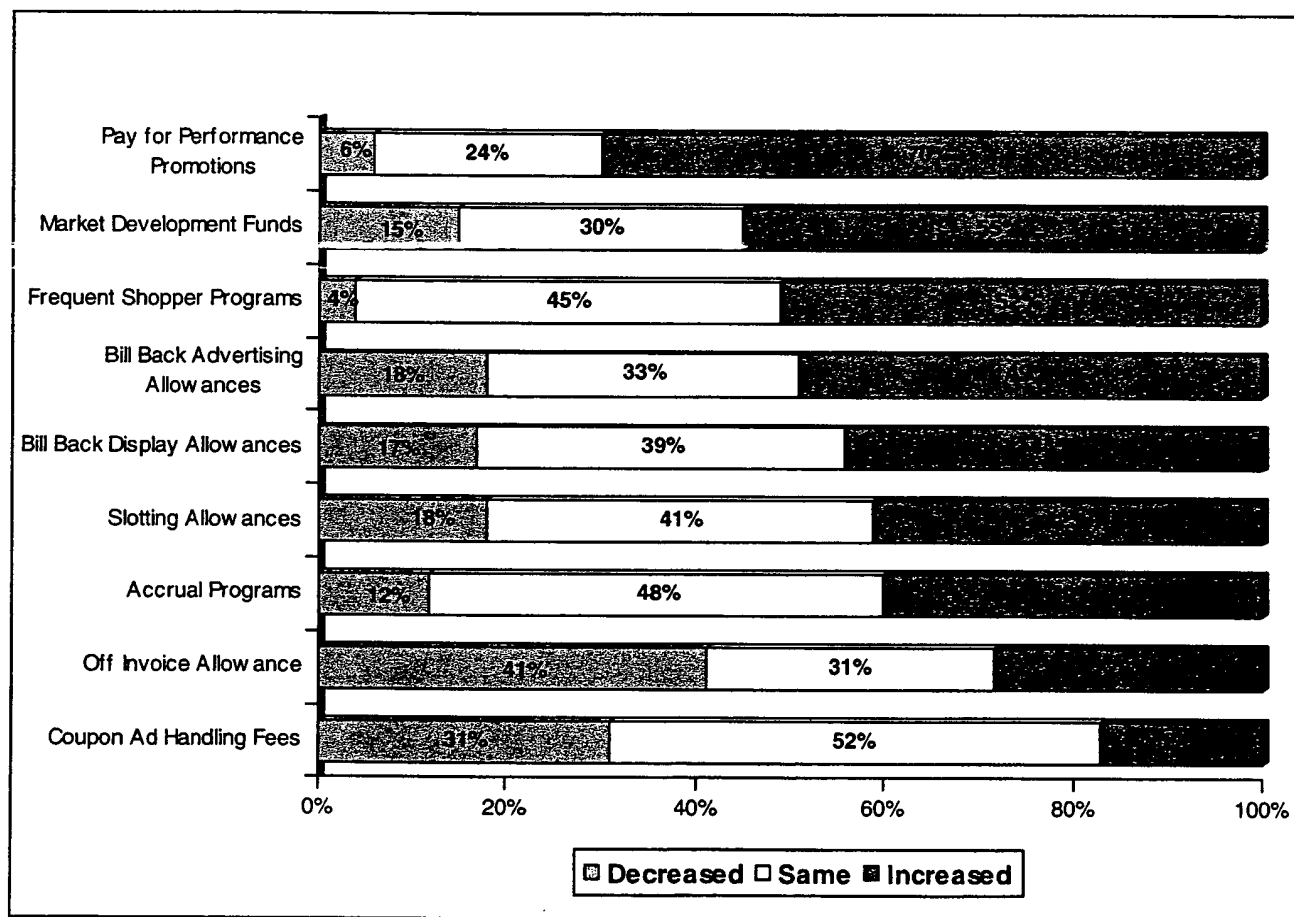
## How Trade Promotion Expenditures are Allocated

Participating manufacturers report using a wide-range of promotional tools to support the sales effort. Over 50% of manufacturers increased spending in pay for performance, market development funds, and frequent shopper programs.

### Manufacturers

#### Allocation of Trade Promotion Expenditures - 1999 Spending versus 1998 Spending

1999 Perspective



Base Size  
Man: 90

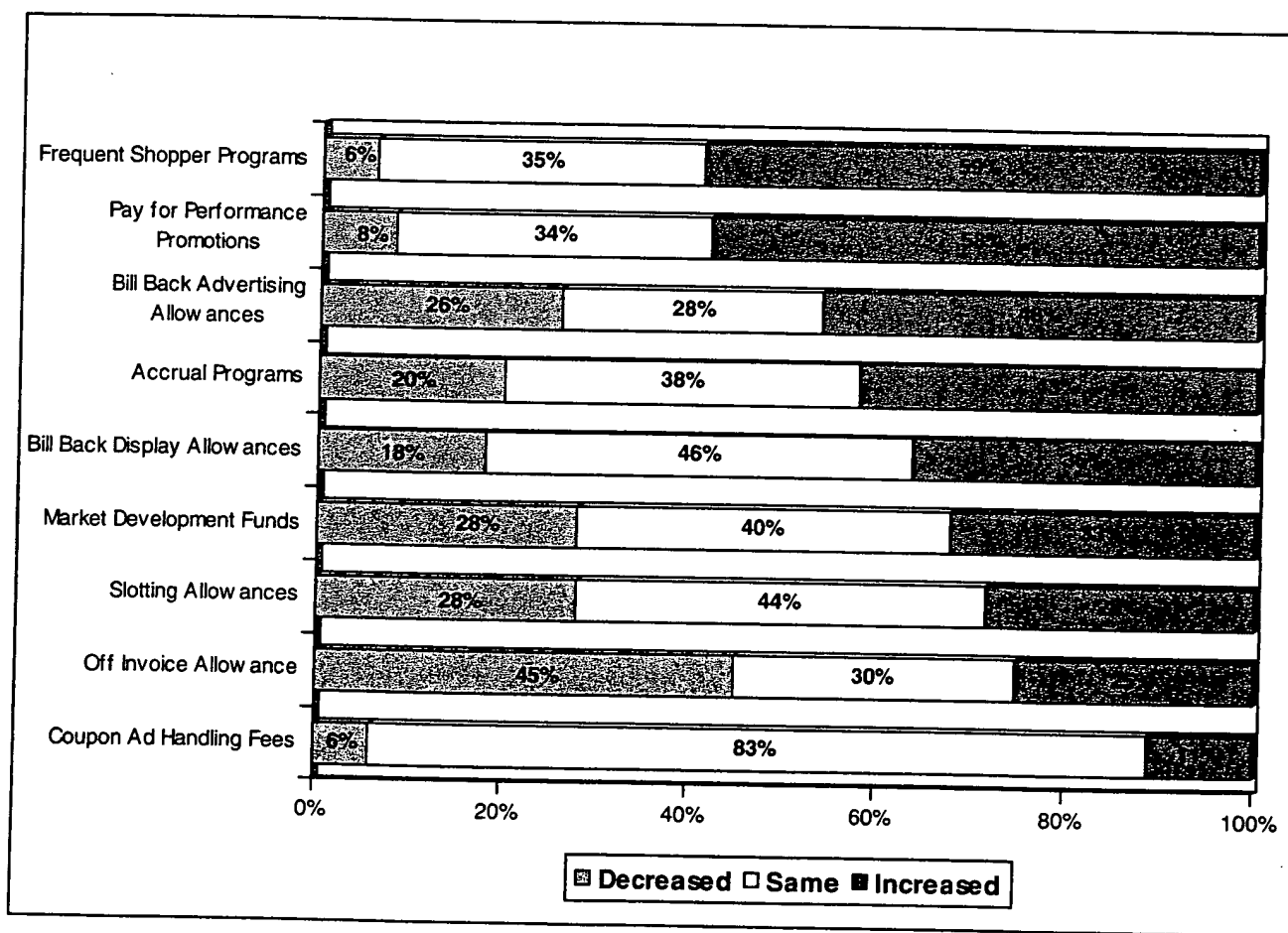
## How Trade Promotion Expenditures are Allocated (cont'd)

The increase spending among manufacturers for pay for performance and frequent shopper programs was recognized by retailers, with nearly 60% of retailers indicating an increase in spending for both.

### Retailers

1999 Perspective

### Amount of Trade Promotion Received - 1999 Amount versus 1998 Amount

Base Size  
Ret: 40Base Size  
Ret: 21

## How Trade Promotion Expenditures are Allocated (cont'd)

Manufacturers and retailers show general agreement on how trade promotion spending was increased, relative to 1998. Specifically, perceptions were in alignment that pay for performance and frequent shopper programs are the tools that received the greatest levels of increased spending in 1999.

Differences in perceptions are apparent in regards to the increases in trade spending for two of the tools. Manufacturers report higher levels of increased spending allocation towards market development funds and slotting allowances than retailers report receiving.

1999 Perspective

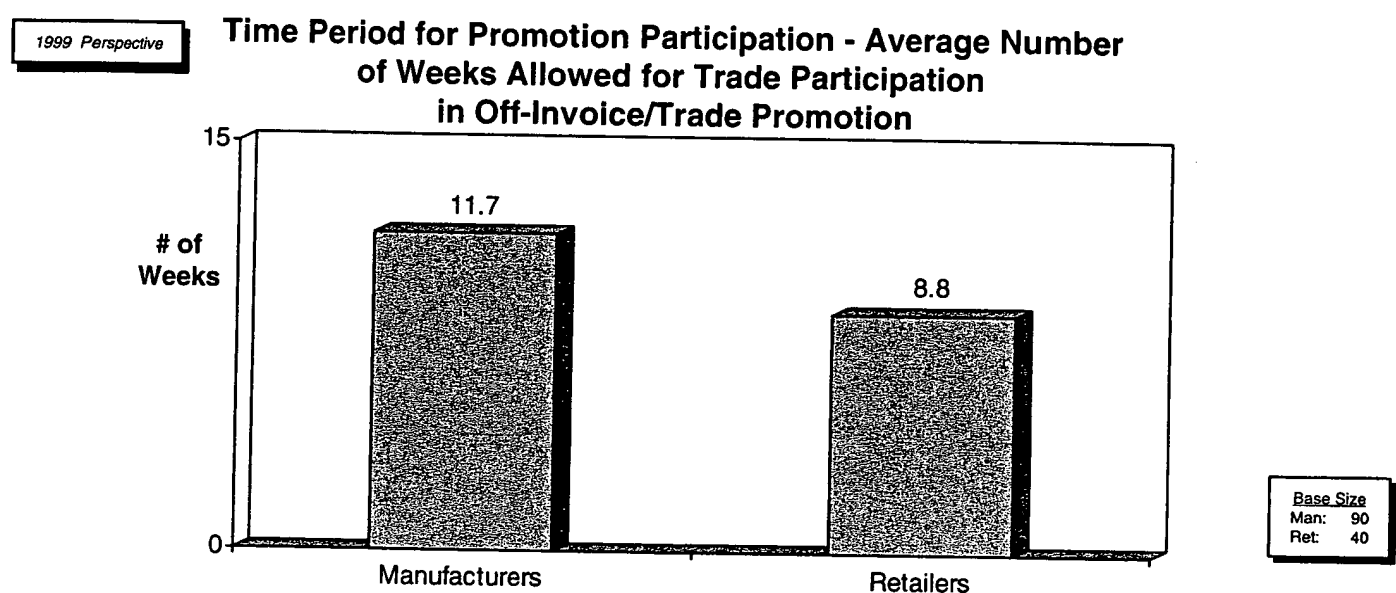
### Evaluation of Trade Promotion Spending Components 1999 versus 1998

	<u>% of Respondents Indicating an Increase vs. 1998</u>	
	<u>Mfr (Allocated)</u>	<u>Ret (Received)</u>
Pay for Performance	70	58
Frequent Shopper Programs	52	59
Market Development Funds	55	33
Bill Back Ad Allowances	49	46
Bill Back Display Allowances	44	36
Slotting Allowances	42	28
Accrual Programs	40	43
Off Invoice Allowance	28	25
Coupon Ad Handling	17	11

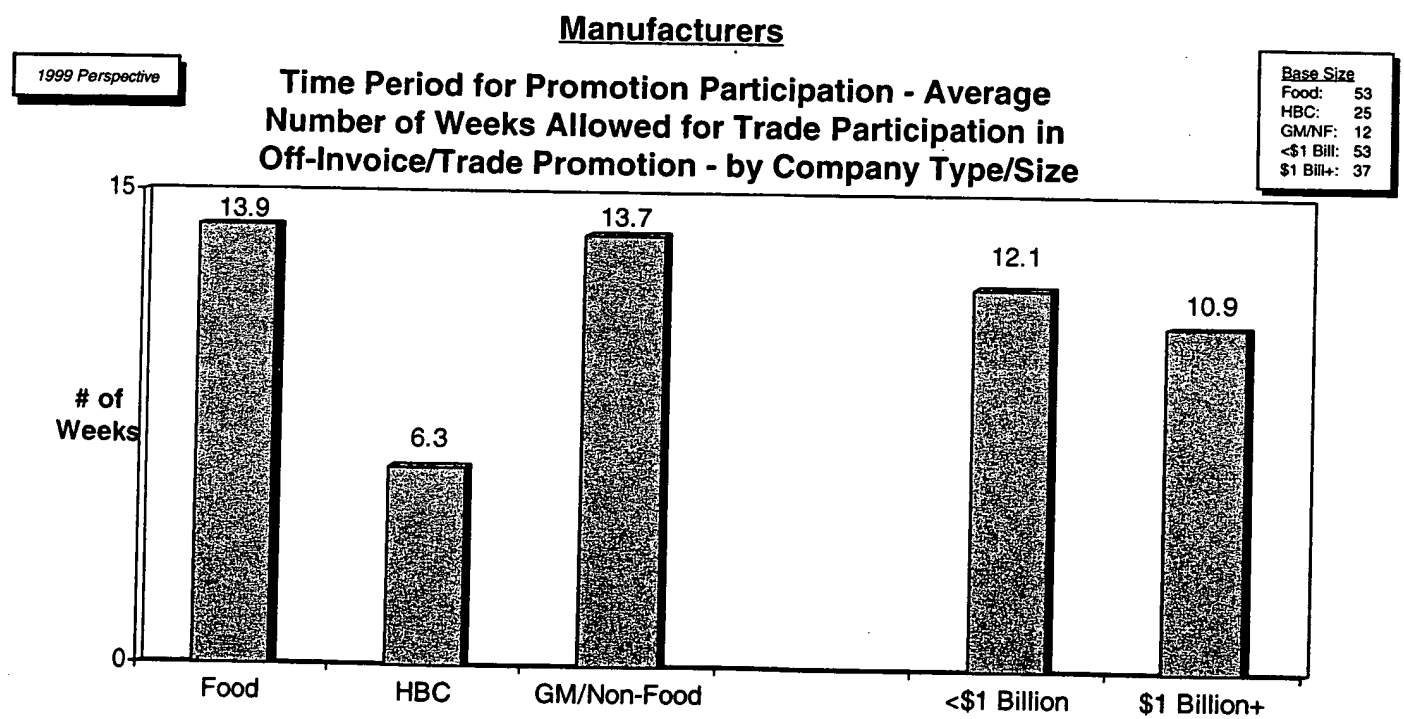
Base Size  
Man: 90  
Ret: 40

# Off-Invoice/Trade Promotion - Number of Weeks Allowed

*Manufacturer and retailer perceptions regarding the time period associated with off-invoice/trade promotion funding differ, but are in closer alignment than in previous studies.* The average number of weeks allowed for off-invoice promotion during 1999 among surveyed manufacturers was nearly 12 weeks. This time period represents a sharp decline from the 18 weeks on average reported in last year's study. In turn, retailers reported receiving funds for an off-invoice/trade promotion product for nearly nine weeks -- as compared to the six weeks reported for 1998.



Among manufacturers, Food, GM/Non-Food and larger companies on average run off-invoice/trade promotions twice as long as Health & Beauty manufacturers.

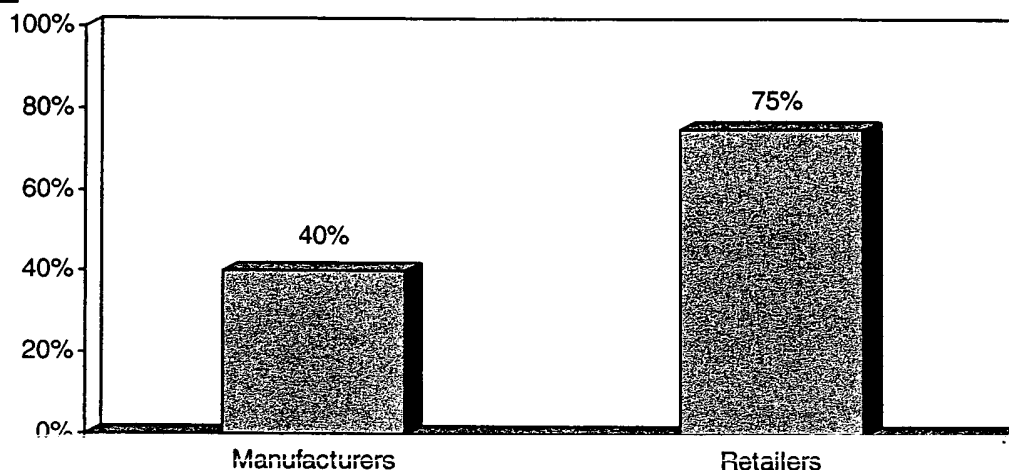


## Trade Promotion Contracts

More than twice the number of Retailers reported using annual trade promotion agreements compared to those manufacturers surveyed.

### Current Perspective

### Incidence of Annual Trade Promotion Agreements/Contracts

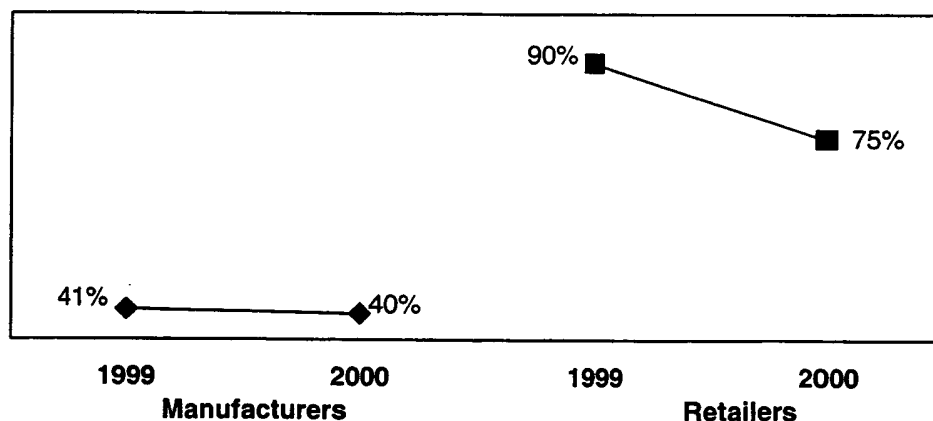


Base Size  
Man: 90  
Ret: 40

Compared to last year, manufacturer participation in annual trade promotion agreements or contracts remained constant. Retailer participation was down compared to last year (limited sample size may be impacting this trend)

### Trend Perspective

### Incidence of Annual Trade Promotion Agreements/Contracts



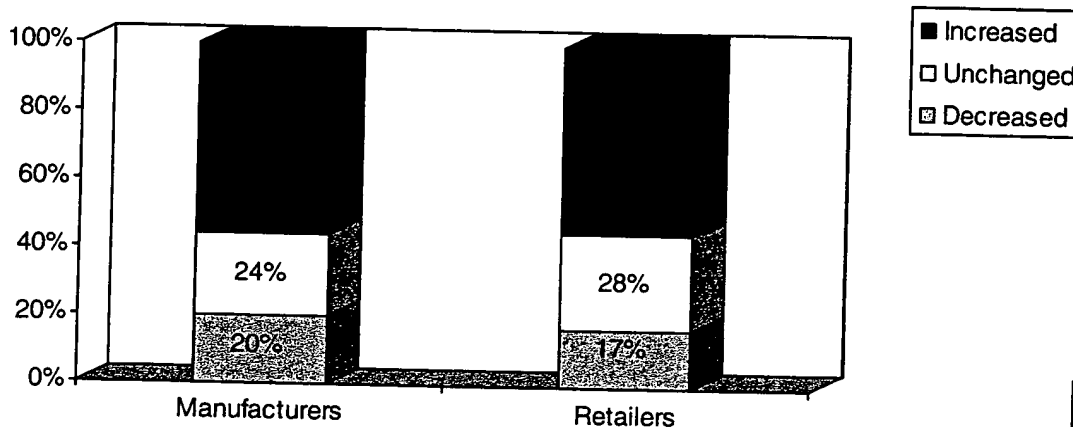
Base Size  
Man: 90  
Ret: 40

## New Product Introduction

Manufacturers and retailers had similar perceptions regarding the number of new product introductions in 1999. More than half of respondents report the number of new products increased in 1999 as compared to 1998, one quarter claim the number decreased and the balance believe that the number of new products remained unchanged.

1999 Perspective

Number of 1999 New Products  
Introduced/Brought Compared to 1998



Base Size  
Man: 90  
Ret: 40

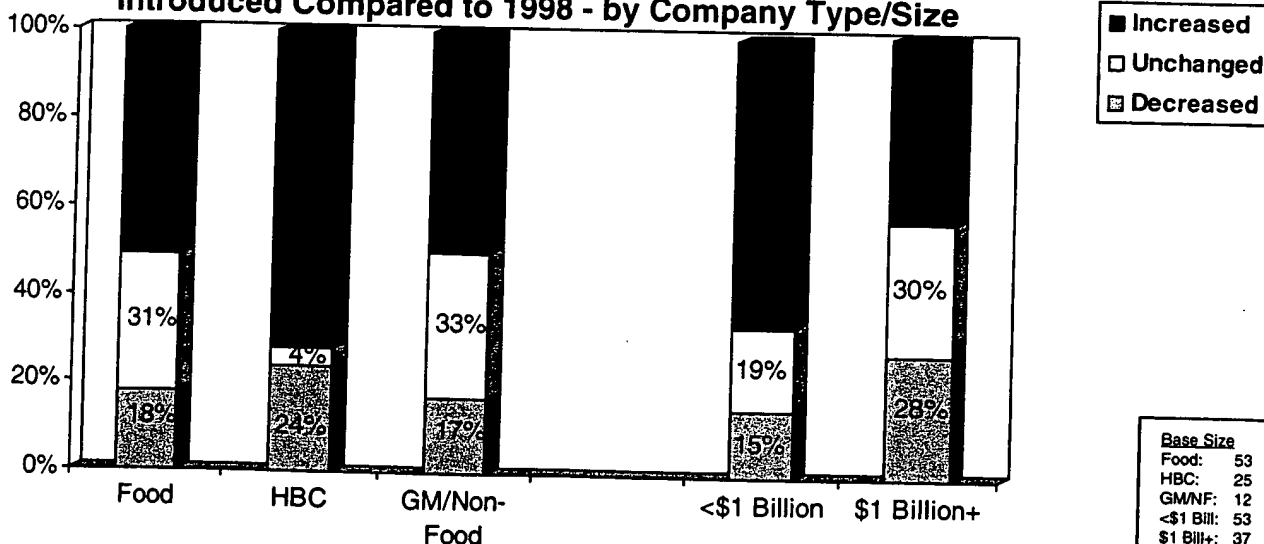
Across manufacturers, perceptions differ regarding new product activity in 1999 compared to 1998.

A higher percentage of participating HBC companies and manufacturers with sales less than \$1 billion report increases in new product introductions in 1999 (over 1998).

### Manufacturers

1998 Perspective

Number of 1999 New Products  
Introduced Compared to 1998 - by Company Type/Size



Base Size  
Food: 53  
HBC: 25  
GM/NF: 12  
<\$1 Bill: 53  
\$1 Bill+: 37

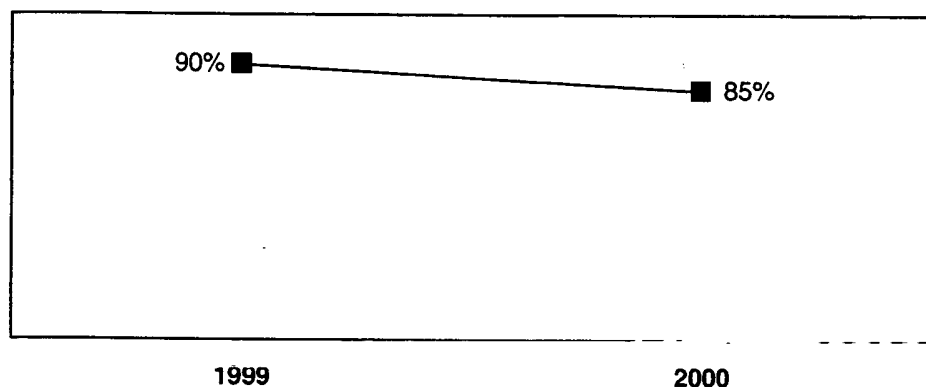
## New Product Introduction (cont'd)

As in previous years, nearly all retailers claim to have charged a slotting allowance for new product introductions.

### Retailers

#### Incidence of Charging Slotting Allowances for New Product Introductions

Trend Perspective



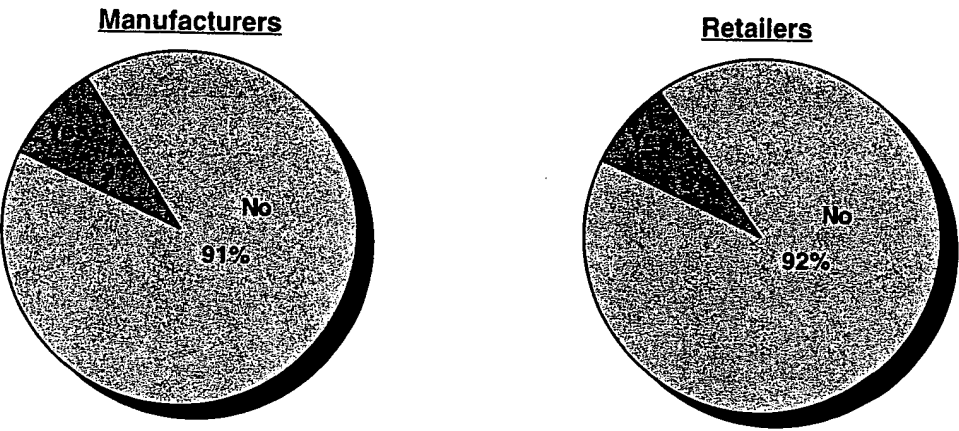


# New Product Introduction (cont'd)

Less than 10% of manufacturers and retailers in 1999 received or charged a failure fee for products that did not to meet specified sales levels.

Incidence of Being Charged/Charging Failure Fee for New Products Failing to Meet Specified Sales Levels

1999 Perspective



Base Size  
Man: 90  
Ret: 40

The practice of being charged failure fee continues to be a common practice.

## Trade Promotion Spending

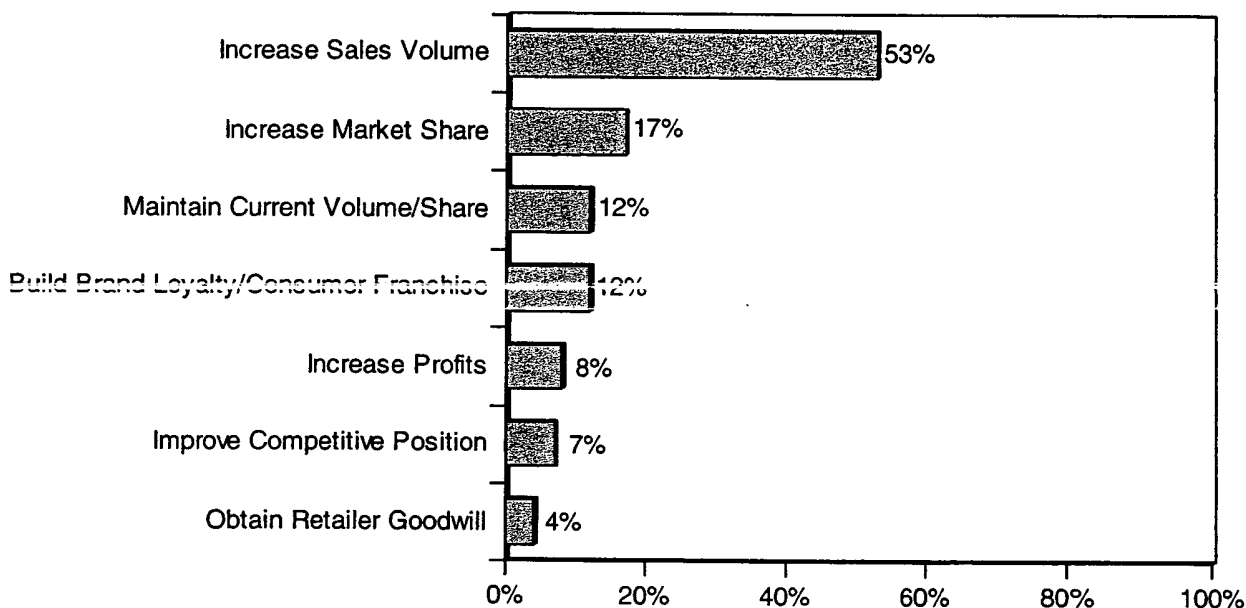
Increasing sales volume was the main reason given for trade promotion spending by 53% of surveyed manufacturers.

Reasons cited by a much smaller percentage of manufacturers were: increasing market share, maintaining current volume/share, building brand loyalty, generating retailer goodwill, increasing profits and improving competitive position.

Current Perspective

### Manufacturers

#### Main Reason for Spending on Trade Promotions



Base Size  
Man: 90

While increasing sales volume was the main reason given by manufacturers for spending on trade promotions, 41% of large manufacturers cited increasing or maintaining market share as their primary reason.

Base Size  
Food: 53  
HBC: 25  
GM/NF: 12  
<\$1 Bill: 53  
\$1 Bill+: 37

Current Perspective

### Manufacturers

#### Main Reason for Spending on Trade Promotion - by Company Type and Size

	Food	HBC	GM/Non-Food	<\$1 Billion	\$1 Billion+
	%	%	%	%	%
Increase Sales Volume	60	40	55	57	47
Increase Market Share	18	12	18	14	19
Maintain Current Volume/Share	12	12	9	4	22
Build Brand Loyalty	16	4	9	12	11
Increase Profits	10	8	--	4	14
Improve Competitive Position	6	12	--	4	11
Obtain Retailer Goodwill	--	8	9	6	--

## Trade Promotion Spending (cont'd)

Surveyed retailers report a wide-range of reasons for participating in promotions.

Several factors were identified as the main motivators. Almost all retailers reported that increasing store sales revealed as a nearly universal reason. Other important reasons mentioned by a large percentage of retailers included inducing consumer loyalty and purchase frequency and being able to increase store traffic.

Current Perspective

### Retailers Key Reasons for Doing Promotions

<u>Reason</u>	<u>%</u>
Increase Store Sales	95
Induce Consumer Loyalty	83
Induce Consumer Purchase Frequency	83
Increase Store Traffic	83
Bring in New Customers	75
Increase Basket Size	65
Improve Category Performance	55
Consumer Interest	53
Reaction to Competition	43
Ability to Target Key Customers	35
Method to Increase Trade Funds	20
Like to Innovate	8

Base Size  
Ret: 40

## Responsibility for Managing the Trade Promotion Budget

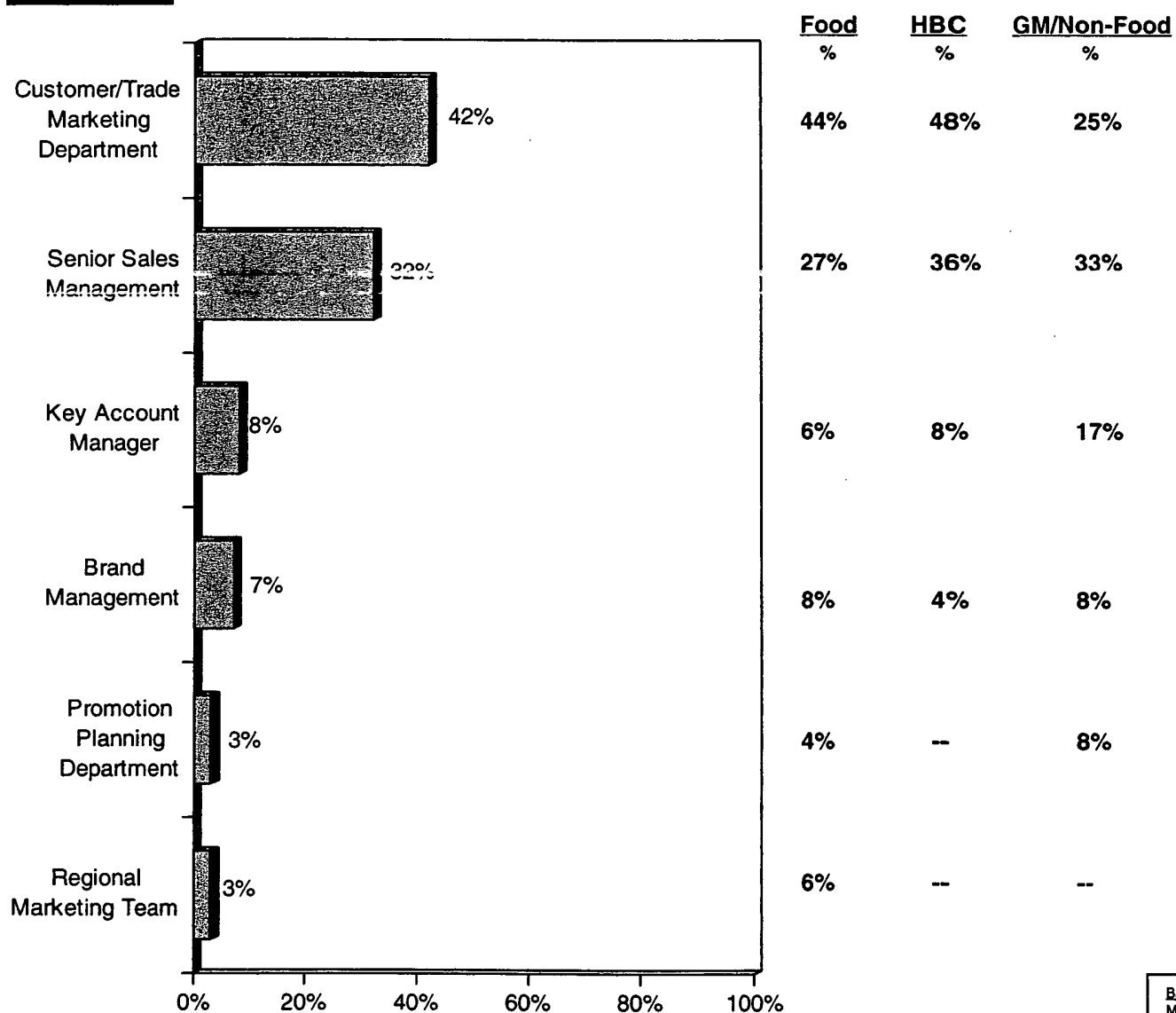
Customer/Trade Marketing Departments and senior sales management continue to be increasingly responsible for management of the trade promotion budget. During the initial waves of the ACNielsen study, brand management was the controlling unit of the trade promotion budget. The emerging role of Customer/Trade Marketing Departments and senior sales management was noted three years ago and appears to be on a path to continued growing responsibility in the future.

The growing reliance on Customer/Trade Marketing department responsibility is most prevalent among Food and HBC companies.

### Manufacturers

Current Perspective

### Managing the Trade Promotion Budget Responsibility



Base Size  
Man: 90  
Food: 53  
HBC: 25  
GM/NF: 12

## Customer/Trade Marketing Department

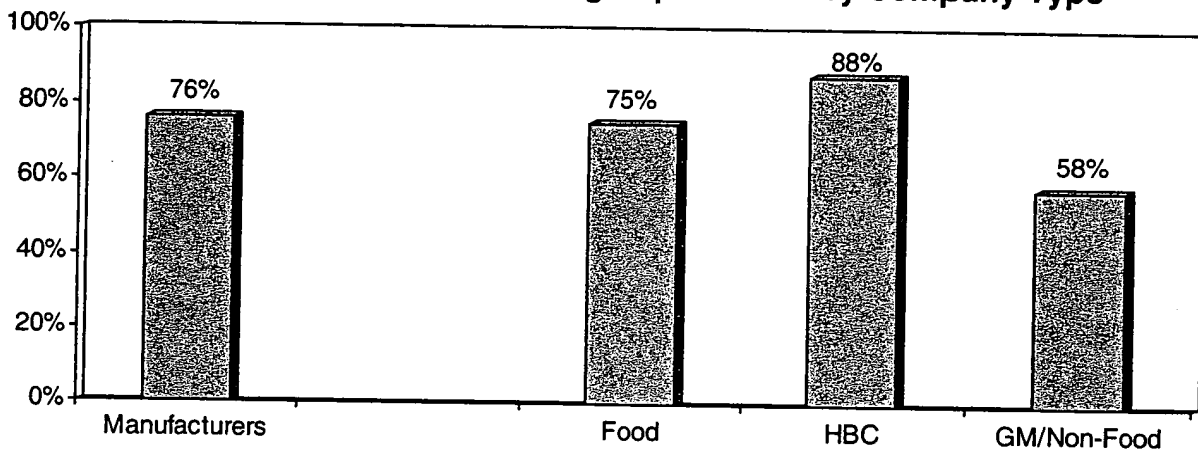
The majority of surveyed manufacturers report the presence of Customer/Trade Marketing Departments within their organizations - particularly HBC and Food companies.

Results suggest that the recent growth of Customer/Trade Marketing Departments within manufacturing companies may have leveled off following several years of increasing emergence.

### Manufacturers

Current Perspective

#### Presence of a Trade Marketing Department - by Company Type

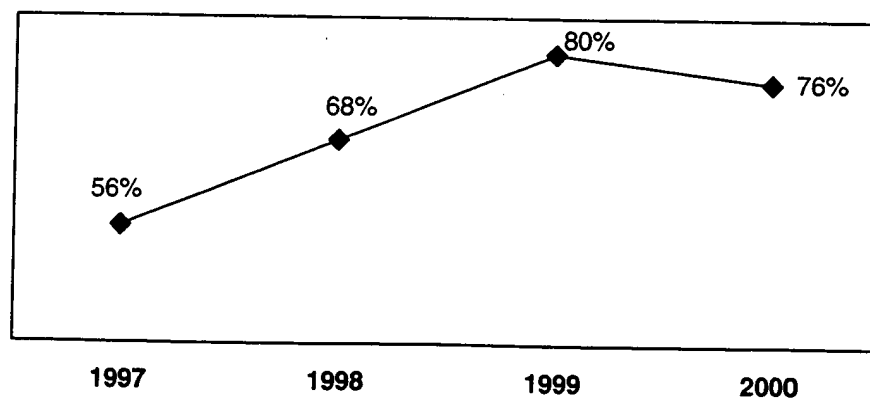


Base Size	
Man:	90
Food:	53
HBC:	25
GM/NF:	12

### Manufacturers

Trend Perspective

#### Presence of a Trade Marketing Department



## Customer/Trade Marketing Department Reporting Structure

The Customer/Trade Marketing Department most often reports to sales -- regardless of company type.

Current Perspective

### Manufacturers

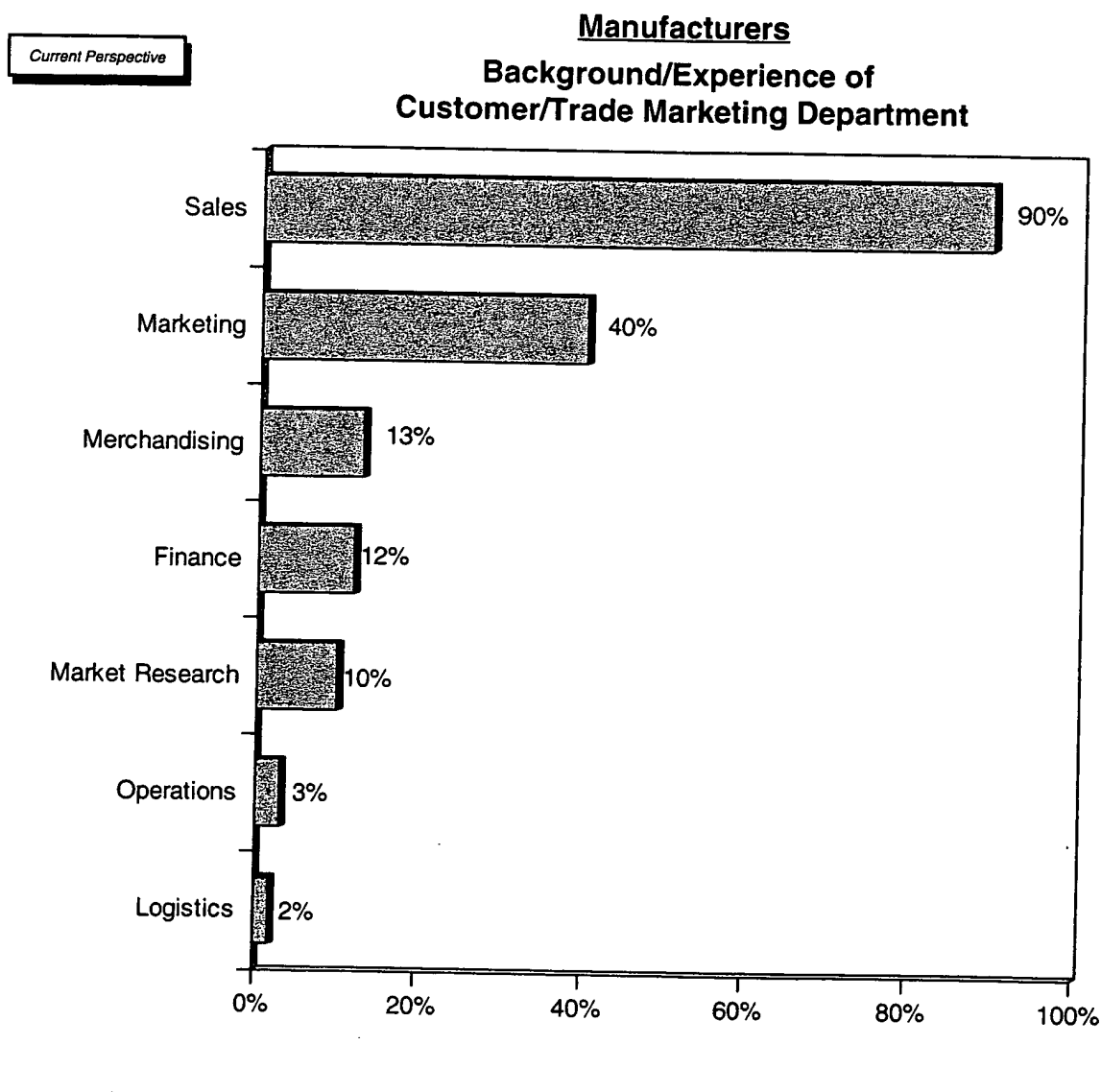
#### Reporting Structure Customer/Trade Marketing Department

Reports to	All Manufacturers %	Food %	HBC %	GM/ Non-Food %
Sales	85	87	88	86
Marketing	10	10	9	14
Other	5	3	3	--

Base Size  
Man: 68  
Food: 39  
HBC: 22  
GM/NF: 7

## Customer/Trade Marketing Department Background

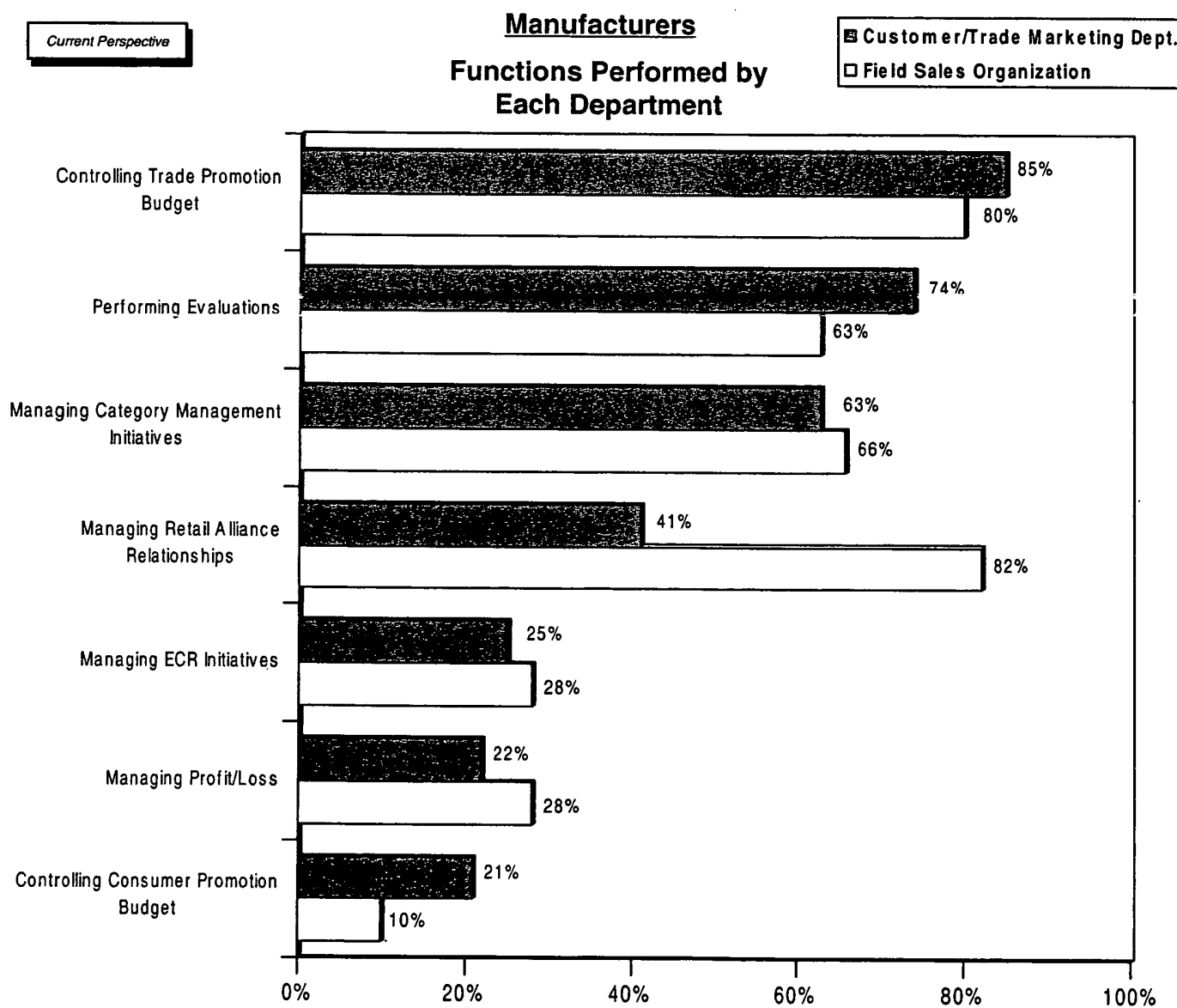
Executives working within the Customer/Trade Marketing Departments have diversified employment experience. A background in sales is nearly universal for Customer/Trade Marketing employees. Marketing experience is the second most common, followed by merchandising and finance.



## Customer/Trade Marketing Department/Field Sales Organization

Surveyed manufacturers report that the functions preformed by the Customer/Trade Marketing Department and Field Sales Organization are primarily similar, with a few exceptions. The primary responsibilities of each of the departments include controlling the trade promotion budget, performing evaluations and managing category management initiatives.

However, twice as many surveyed executives indicated that the Field Sales Organization bears responsibility for managing retail alliance relationships versus the Customer/Trade Marketing Department.



Base Size  
Man: 68/90

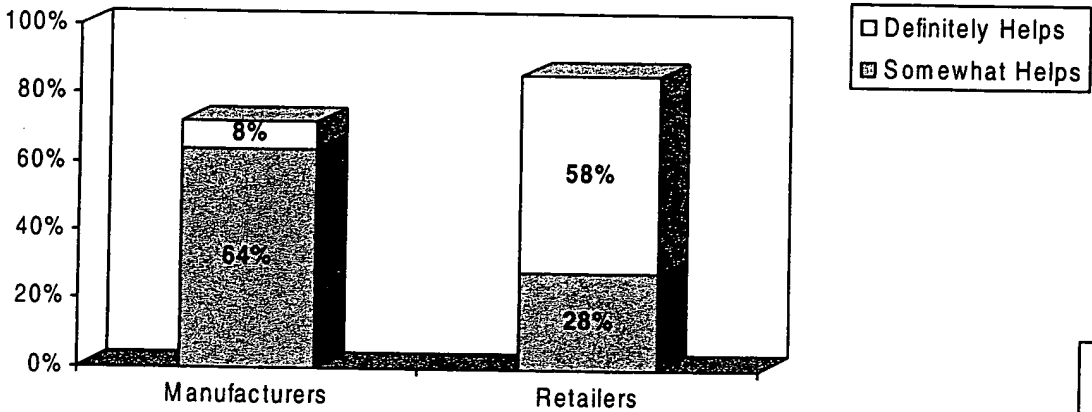


# Trade Promotion Impact on Brand Loyalty

Overall assessment of the impact of trade spending on brand loyalty is favorable among both manufacturers and retailers. However, the extent to which they perceive the impact to be beneficial differs. Retailers are more enthusiastic in their evaluation of the impact of trade promotion spending on brand loyalty, with more than half of surveyed executives indicating that it "definitely helps." Manufacturers are more moderate in their evaluation, with the majority of their favorable perceptions sourced from "helps somewhat" response.

Current Perspective

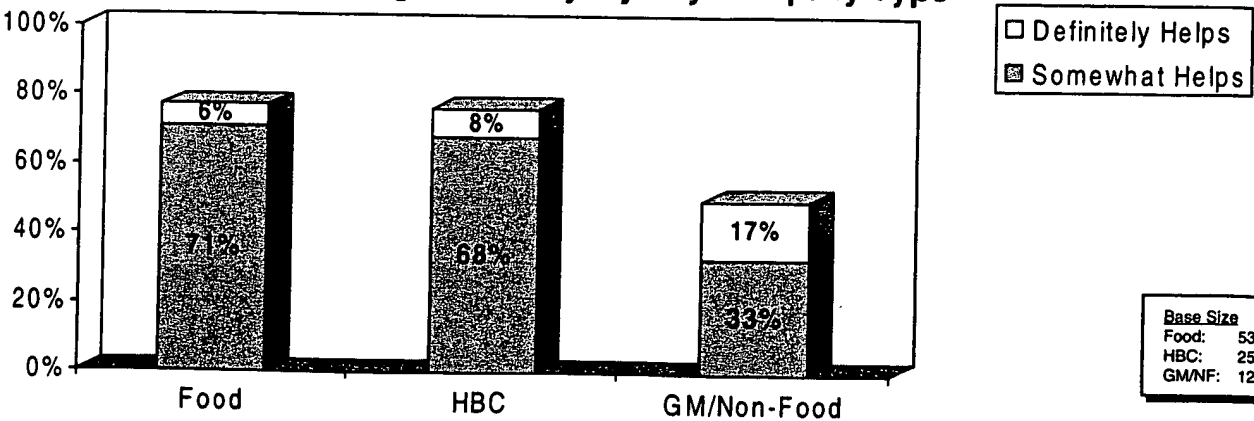
Impact of Trade Promotion on Brand  
Establishing Brand Loyalty



Within manufacturing company types, a higher percentage of Food and HBC managers report that trade promotion has a positive impact on brand loyalty.

Current Perspective

Manufacturers  
Impact of Trade Promotion on Brand  
Establishing Brand Loyalty - by Company Type





## **Category Management**

# Category Management

Surveyed manufacturers and retailers provided a comprehensive list of reasons for practicing category management.

Among manufacturers several reasons for practicing category management were reported at equal levels -- the ability to influence decisions on their categories, optimization of the item mix, creation of positive relationships with retailers, and to ensure category leadership. Reasons for practicing category management were constant across company types, although HBC executives were less motivated by the opportunity to create positive relationships with retailers than their counterparts.

Retailers report practicing category management for a central reason -- to increase profitability. Additional influential reasons include the ability to optimize the item mix, increase revenue, increase basket size and identify new opportunities.

## Manufacturers

Current Perspective

### Reasons Companies Practice Category Management

	All Manufacturers %	Food %	HBC %	GM/Non-Food %
Influence Decisions on Our Categories	78	74	84	83
Optimize Item Mix	78	76	84	83
Create Positive Relationships with Retailers	78	82	68	83
Ensure Category Leadership	74	82	72	50

Base Size  
Man: 90  
Food: 53  
HBC: 25  
GM/NF: 12

## Retailers

Current Perspective

### Reasons Companies Practice Category Management

Reason	%
Increase Profitability	100
Optimize Item Mix	93
Increase Revenue	83
Increase Basket Size	70
Identify New Opportunities	68

Base Size  
Ret: 40

## Category Management (cont'd)

Overall, a higher percentage of manufacturers identified the ability to influence decisions on their category as the most important reason category management is practiced within their organization. However, more GM/Non-Food companies offered a different primary reason for practicing category management -- to increase revenue.

Surveyed retailers identified the ability to increase profitability of their organization as the most influential reason for practicing category management.

Current Perspective

### Single Most Important Reasons for Practicing Category Management

<u>Company Type</u>	<u>Reason</u>	<u>%</u>
All Manufacturers	Influence Decisions on Category	25
Food	Influence Decisions on Category	23
HBC	Influence Decisions on Category	33
GM/Non-Food	Increase Revenue	42
All Retailers	Increase Profitability	28

<b>Base Size</b>
Man: 90
Food: 53
HBC: 25
GM/NF: 12
Ret: 40

## Category Management (cont'd)

Surveyed retailers and manufacturers report using a variety of category management tools at high, and similar, levels.

Specifically, over 80% of surveyed manufacturers include category business planning, shelf management and assortment planning activities within their category management process. In turn, more than 80% of retailers surveyed report using assortment and promotional planning, category business planning and shelf management as part of their organization's category management process.

### Current Perspective

### Category Management Tools Currently Being Used

	% Currently Using...	
	Manufacturers	Retailers
Category Business Planning	88%	83%
Shelf Management	88%	80%
Assortment Planning	84%	92%
Promotional Planning	77%	90%
Everyday Pricing	66%	74%
Micro-Merchandising	42%	47%
Micro-Marketing	37%	41%
Frequent Shopper/Loyalty Programs	37%	40%

Base Size  
Man: 90  
Ret: 40

## Category Management (cont'd)

Inclusion of category business planning, shelf management and assortment planning in the category management process is strong among manufacturing companies of all types.

A higher percentage of HBC and GM/Non-Food companies report using assortment planning than surveyed Food companies. In turn, more Food and HBC companies include micro-management activities and frequent shopper programs as category management tools than do GM/Non-Food organizations.

### Manufacturers

Current Perspective

#### Category Management Tools Currently Being Used - by Company Type

	% Currently Using...			
	<u>Total</u>	<u>Food</u>	<u>HBC</u>	<u>GM/Non-Food</u>
Category Business Planning	88%	86%	92%	83%
Shelf Management	88%	83%	96%	92%
Assortment Planning	84%	76%	96%	100%
Promotional Planning	77%	76%	80%	83%
Everyday Pricing	66%	66%	71%	67%
Micro-Merchandising	42%	43%	46%	33%
Micro-Marketing	37%	40%	39%	16%
Frequent Shopper/Loyalty Programs	37%	40%	40%	17%

Base Size  
Man: 90  
Food: 53  
HBC: 25  
GM/NF: 12

## Category Management (cont'd)

Over 33% of surveyed manufacturers and retailers plan to include Frequent Shopper programs and micro-management activities in their category management practices in the next 12 months.

Current Perspective

### Category Management Tools Currently Plan to Use in Next 12 Months

	% Plan to Use...	
	Manufacturers	Retailers
Frequent Shopper/Loyalty Programs	33%	25%
Micro-Marketing	25%	24%
Micro-Merchandising	24%	25%
Promotional Planning	11%	8%
Everyday Pricing	10%	21%
Assortment Planning	8%	8%
Category Business Planning	6%	13%
Shelf Management	3%	20%

Base Size  
Man: 90  
Ret: 40



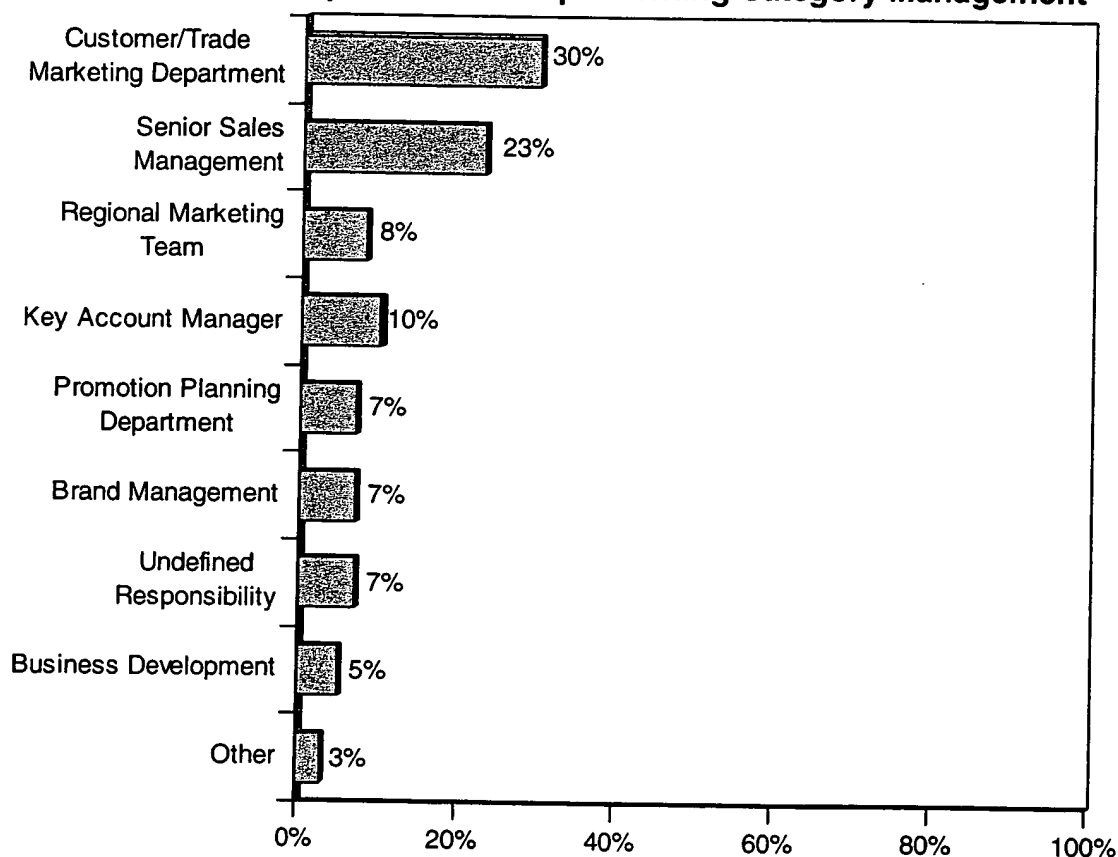
## Category Management (cont'd)

The Customer/Trade Marketing Department was cited most often by manufacturers as being responsible for implementing category management. Senior sales management is also active in the process, with several other departments involved to much lesser degrees.

Current Perspective

### Manufacturers

#### Responsible for Implementing Category Management



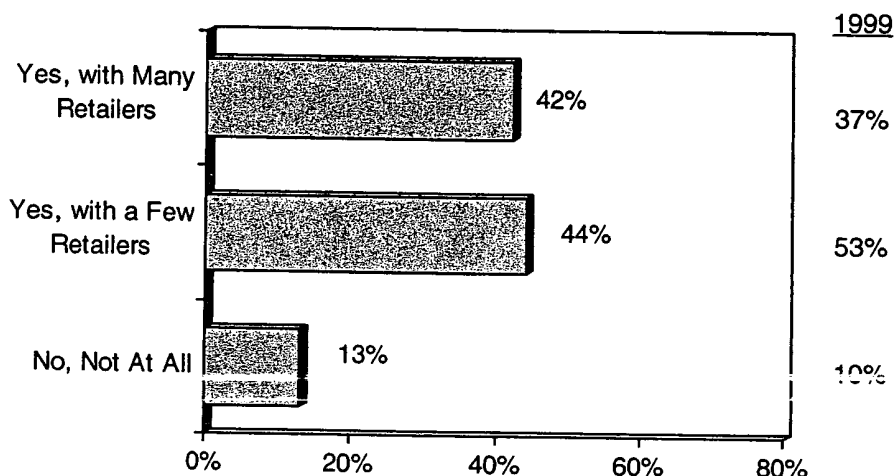
Base Size  
Man: 90

## Category Management (cont'd)

Nearly all surveyed manufacturers indicate that they currently have alliances with retailers as category captains. However, results suggest a slight shift among manufacturers to category captain relationships with many retailers - rather than relationships with only a few retailers.

Trend Perspective

### Manufacturers Currently Have Alliances with Retailers as Category Captain

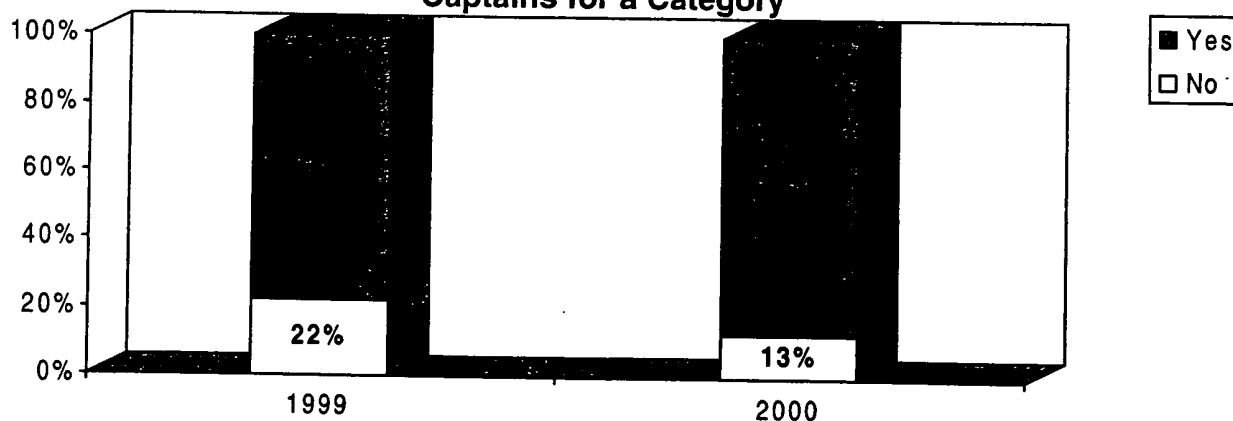


Base Size  
Man: 90/86

Overall, a higher percentage of surveyed retailers report a growing level of category captain relationships than did respondents last year.

Trend Perspective

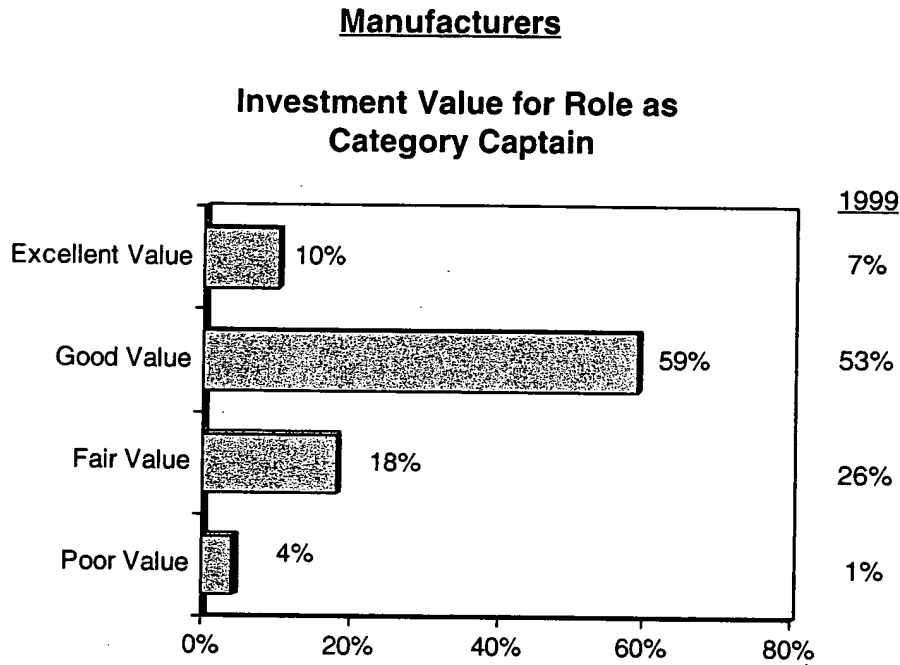
### Retailers Currently Select Supplier Captains for a Category



Base Size  
Ret: 21/40

## Category Management (cont'd)

High levels of manufacturer involvement as category captain appears to be driven by the favorable value they associate with the practice. Nearly all manufacturers report that the value they receive as category captains is beneficial.



Base Size  
Man: 78

Base Size  
Man: 76



## **Frequent Shopper Programs**

## Frequent Shopper Programs

Manufacturer and retailer involvement with frequent shopper programs is in general alignment. Approximately two-thirds of manufacturers report participating in frequent shopper programs, while a similar percentage of surveyed retailers report offering a program that benefits frequent shoppers.

### Current Perspective

### Participate In/Offer Frequent Shopper Programs

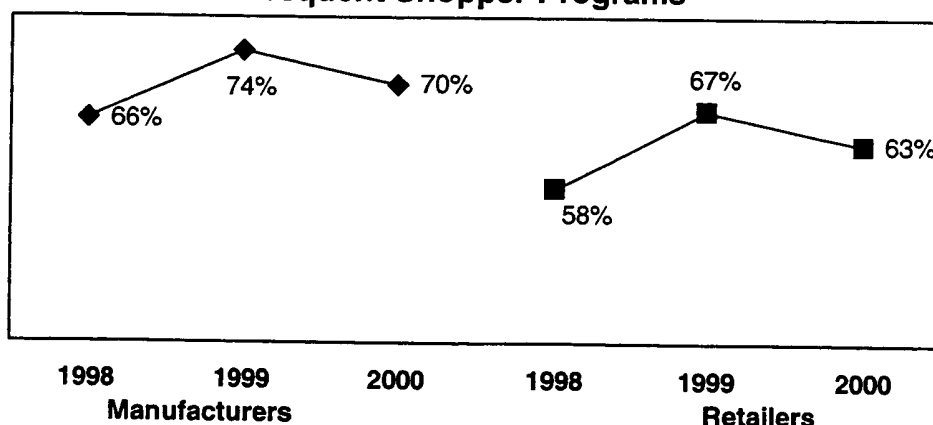


Base Size  
Man: 90  
Ret: 40

The presence of frequent shopper programs is down slightly among manufacturers and retailers versus a high in 1999.

### Trend Perspective

### Participate In/Offer Frequent Shopper Programs



## Frequent Shopper Programs (cont'd)

The perceived benefits derived from frequent shopper program participation varies between manufacturers and retailers.

The primary reasons reported by surveyed manufacturers include better use of trade funds, ability to target key consumers and to increase brand sales. Half of manufacturers claim that they participate in frequent shopper programs because they are required to do so by retailers -- a reactive reason that indicates that manufacturers may realize lesser benefits from frequent shopper programs than their retailer counterparts.

Surveyed retailers identify several key reasons for participating in frequent shopper programs. Perceptions are particularly strong that frequent shopper programs build consumer loyalty. Additional reasons include the opportunity to gather consumer information, to target consumers and to reward consumers.

Current Perspective

### Reasons for Participating In/Offering Frequent Shopper Programs

<u>Reason</u>	<u>Manufacturers</u> %	<u>Retailers</u> %
Induce consumer loyalty	*	88
Increase basket size	*	60
Better use of trade funds	65	40
Able to target key consumers	55	80
Increase brand sales	53	*
Induce consumer purchase frequency	*	60
Required by retailer	52	*
Gather consumer information	*	76
Increase store traffic	*	48
Bring in new consumers/customers	44	40
Reaction to competition	34	28
Increase brand loyalty	34	*
New way to do trade programs	31	*
Receive information on key consumers	26	*
Reward consumers through rebates	19	56
Consumer interest	18	40
Like to innovate	5	24
Method to increase trade funds	*	20

Base Size  
Man: 62  
Ret: 25

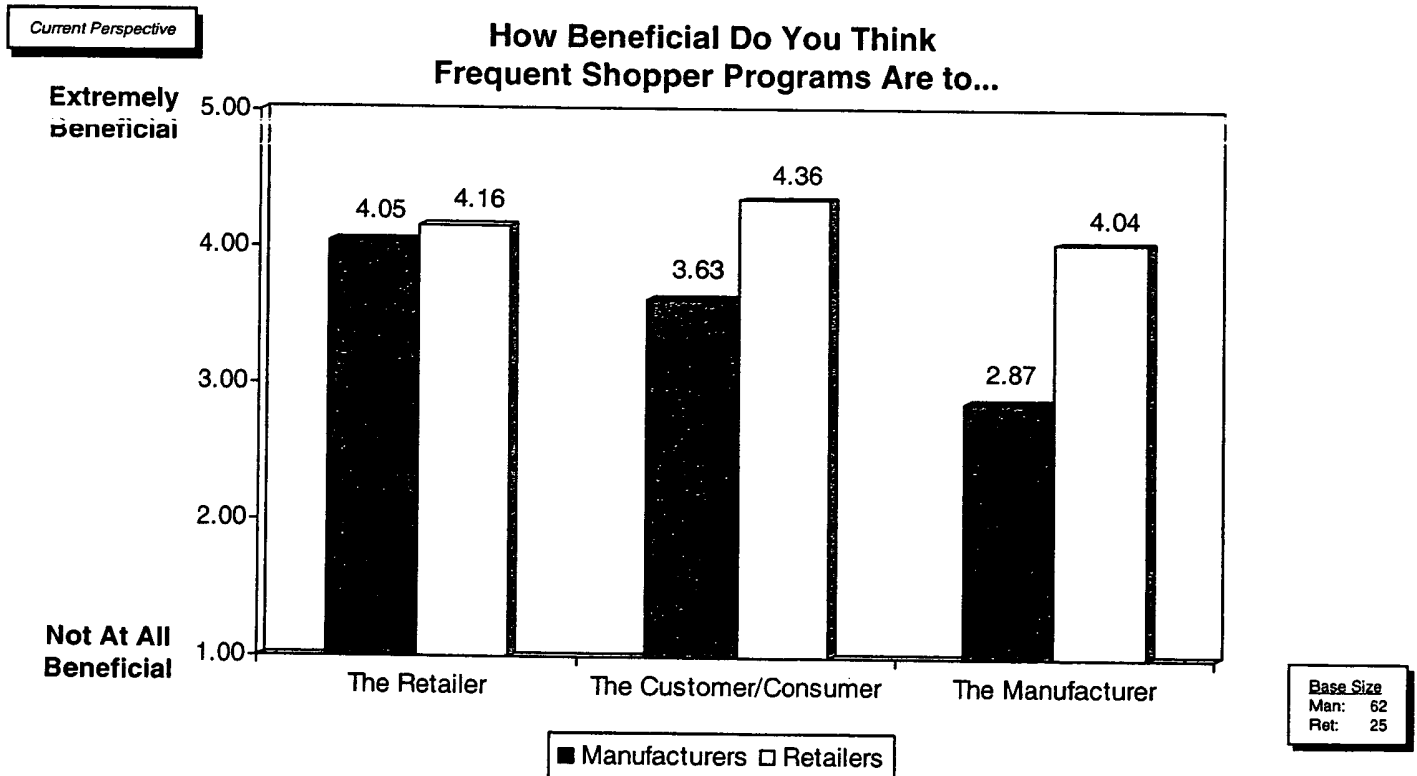
\* Not Asked

## Frequent Shopper Programs (cont'd)

The perceived benefit of frequent shopper programs differs. Overall, surveyed retailers perceive that frequent shopper programs are more beneficial than manufacturers.

Manufacturing executives report that retailers benefit the most from frequent shopper programs, even more so than consumers. Conversely, retailers indicate that that all three parties benefit relatively the same.

***Notably, manufacturers and retailers assess frequent shopper programs to benefit manufacturers the least - a finding consistent over the previous waves of the ACNielsen study.***



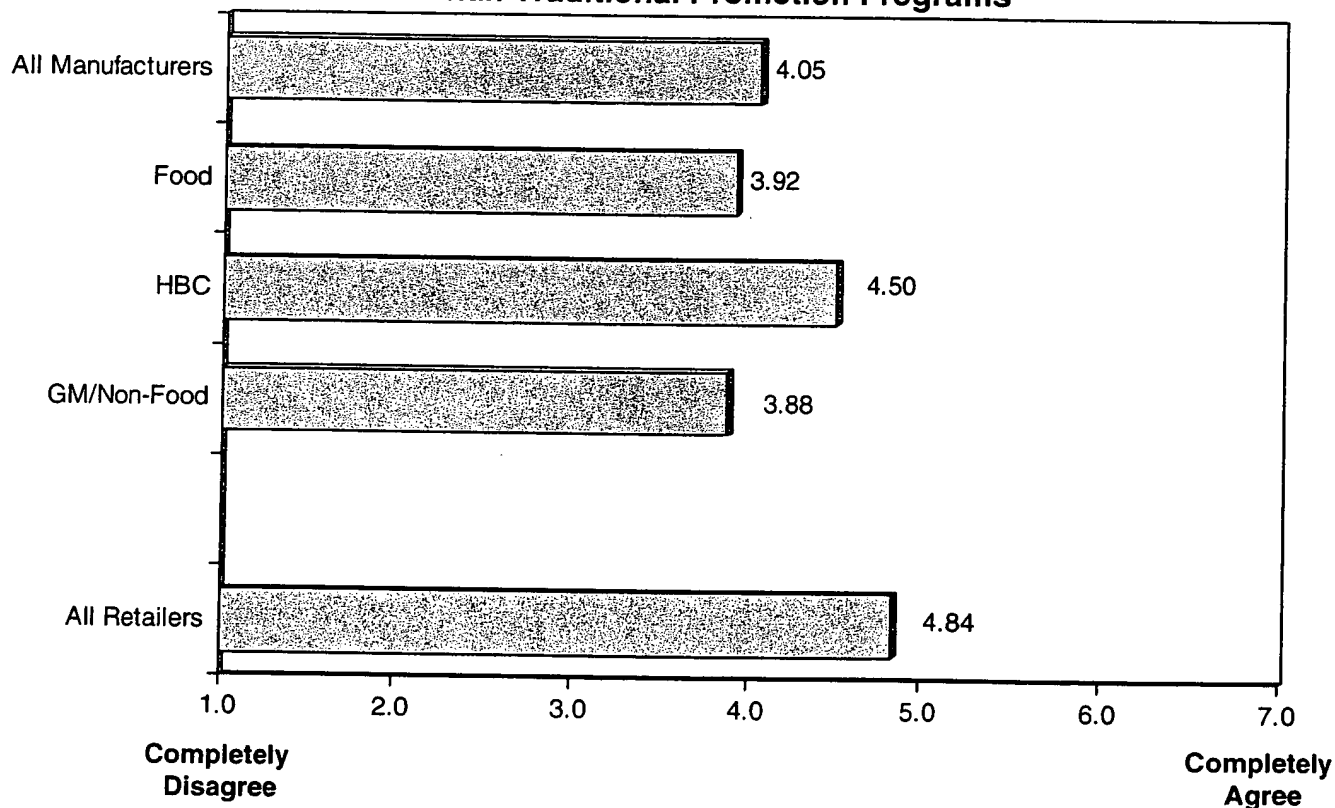


## Frequent Shopper Programs (cont'd)

Manufacturers and retailers on average agree that frequent shopper programs yielded higher returns in the past year than did other more traditional programs. However, retailers have a higher degree of agreement than manufacturers do regarding the effectiveness of frequent shopper programs over traditional programs.

Current Perspective

### Agreement That Frequent Shopper Program Generated Higher Returns in the Past Year Than Traditional Promotion Programs

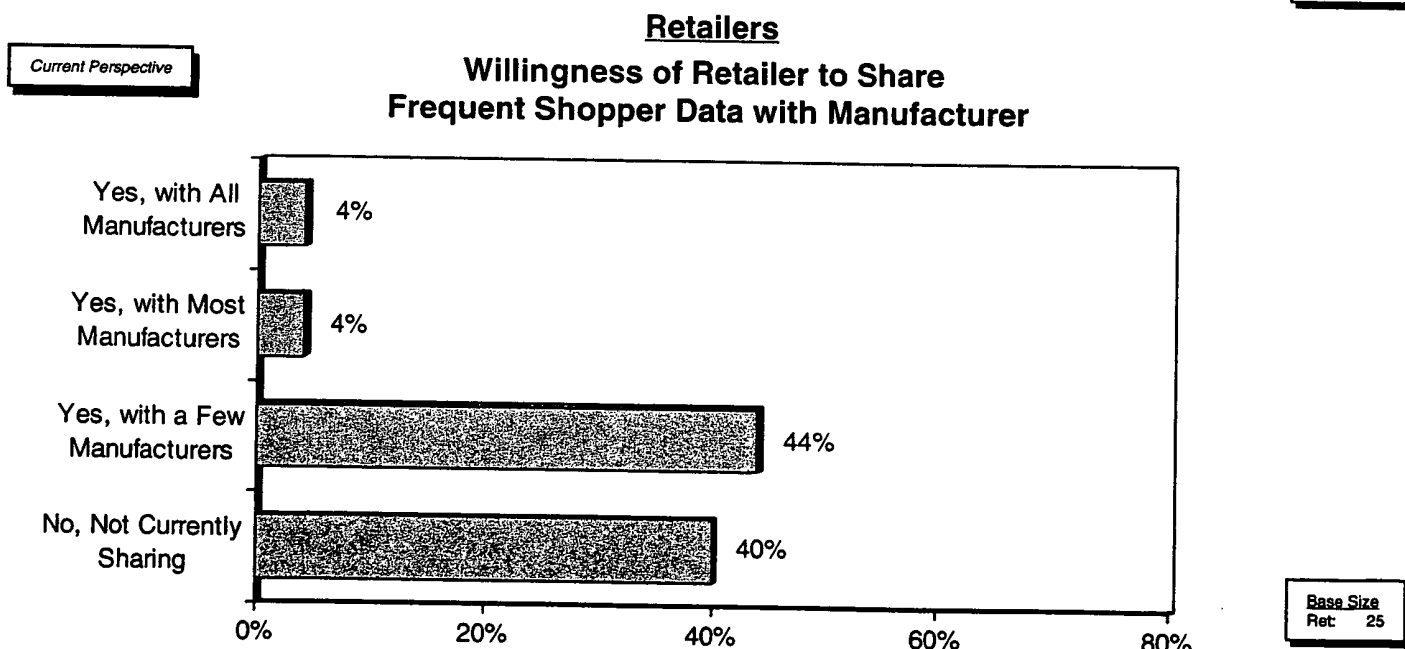
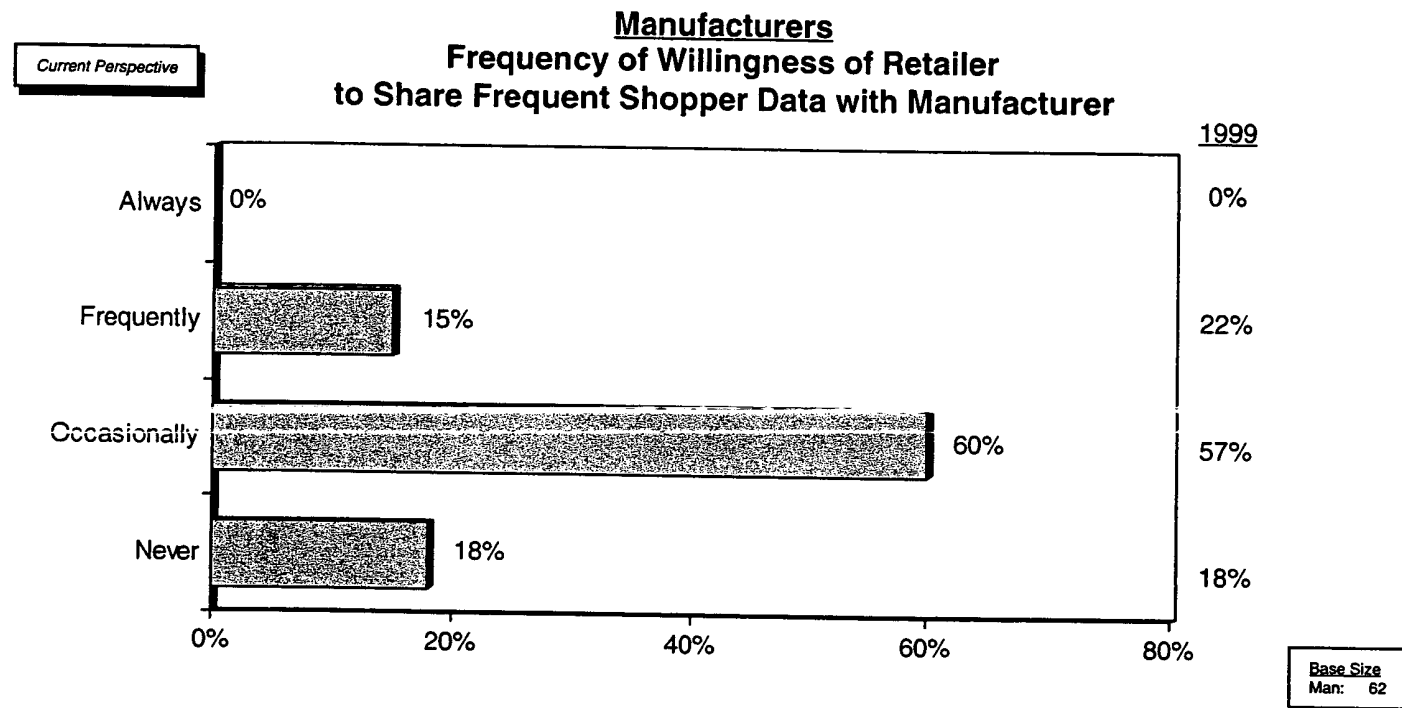


Base Size  
Man: 62  
Ret: 25

## Frequent Shopper Programs (cont'd)

Study results confirm that retailers do not share their frequent shopper data with manufacturers. Only 15% of manufacturers indicate that retailers "frequently" share data with them. No manufacturers report an existing relationship with a retailer that "always" shares frequent shopper data.

Manufacturers and retailers agree on this point since four in 10 retailers report that they are not currently sharing frequent shopper data with any manufacturers - a figure double that reported during the 1999 study. Among retailers who do share the information, the practice is limited to relationships with a few select manufacturers.



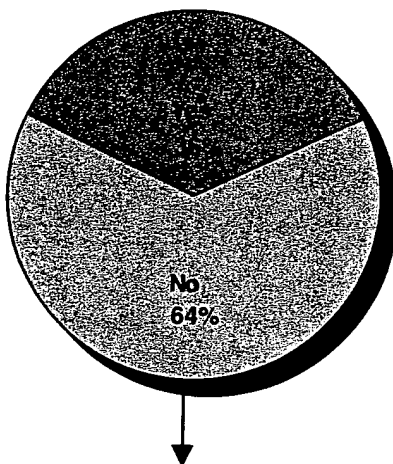
## Frequent Shopper Programs (cont'd)

In fact, fewer than one-quarter of surveyed retailers report having a formal program in place to share frequent shopper data with information partners. Reasons offered for not sharing information centered on privacy issues, questions regarding the benefits of such a relationship and lack of a structured or established sharing program.

### Retailers

Current Perspective

### Currently Share Frequent Shopper Program Information with ACNielsen or IRI



Base Size  
Ret: 25

### Retailers

Current Perspective

### Reasons for Not Sharing Information (Sample of Open End Responses)

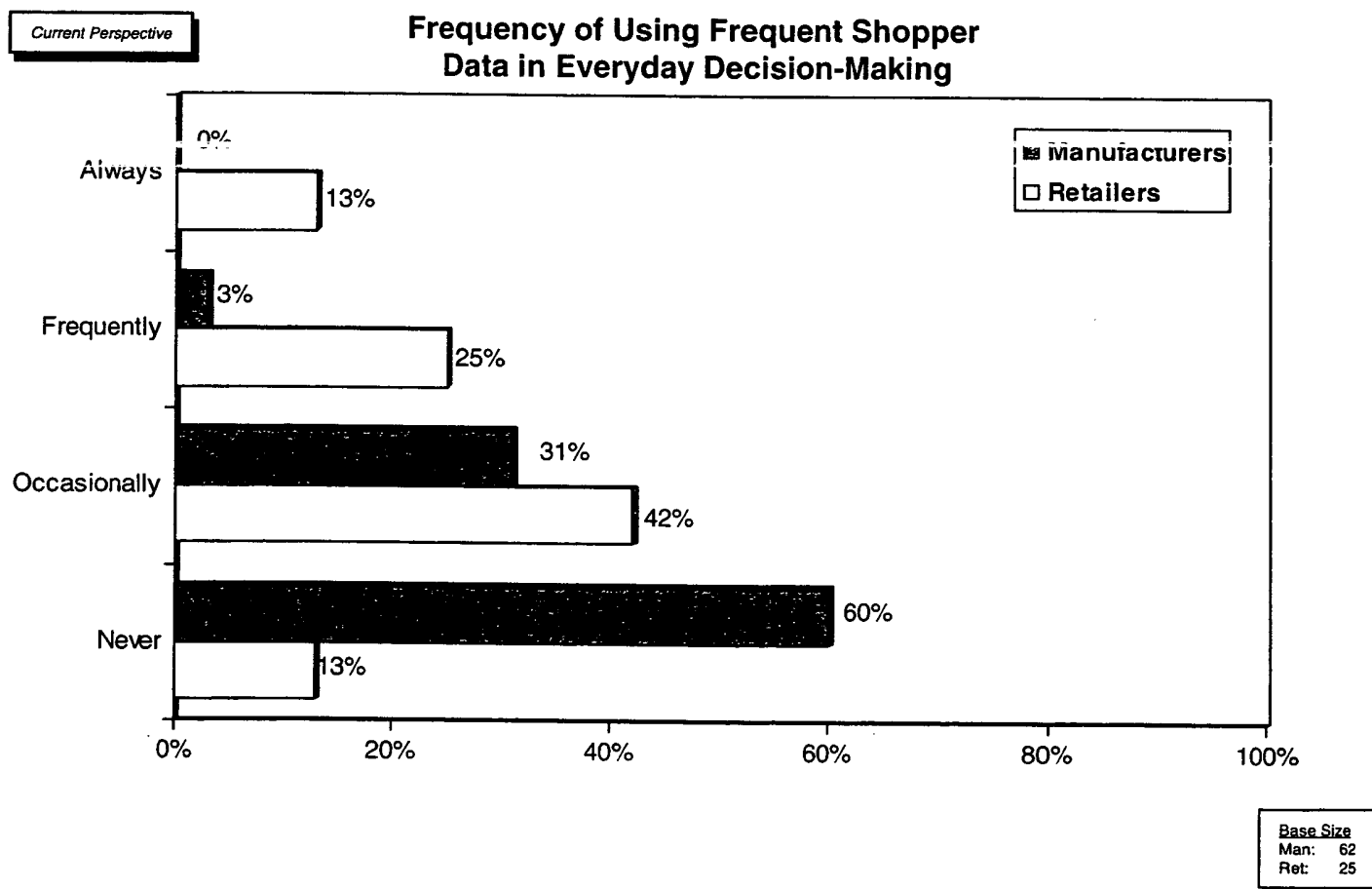
- *There would be very little in it for us*
- *Cost*
- *It's too expensive*
- *There's little value*
- *We have no program in place to do so*
- *The program is too new. We're not ready yet*

Base Size  
Ret: 12

## Frequent Shopper Programs (cont'd)

Due to the lack of sharing frequent shopper information by retailers, 60% of manufacturers are not using frequent shopper data in everyday decision making.

Retailers are more likely to use the data than their manufacturer counterparts, but the utilization of information for everyday decisions is sporadic -- most likely "occasionally".



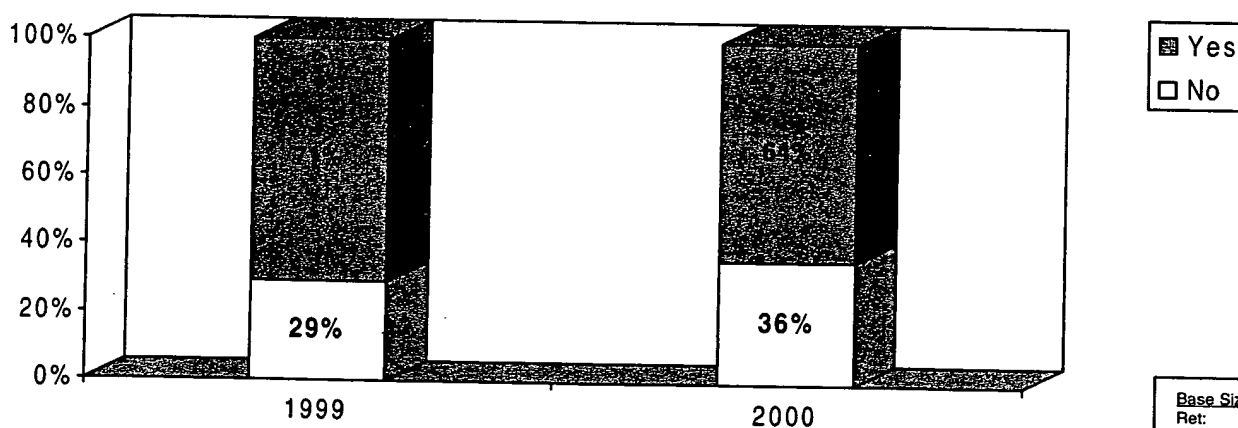
## Frequent Shopper Programs (cont'd)

The importance retailers place on the ability to target key consumers through frequent shopper programs is substantiated by the strong percentage of surveyed retailers who report that they use the frequent shopper data to develop direct marketing programs to target individuals consumers based on purchase habits.

Trend Perspective

### Retailers

#### Developed Direct Marketing Programs Targeting Individual Consumers Based on Purchase Habits



## Frequent Shopper Programs (cont'd)

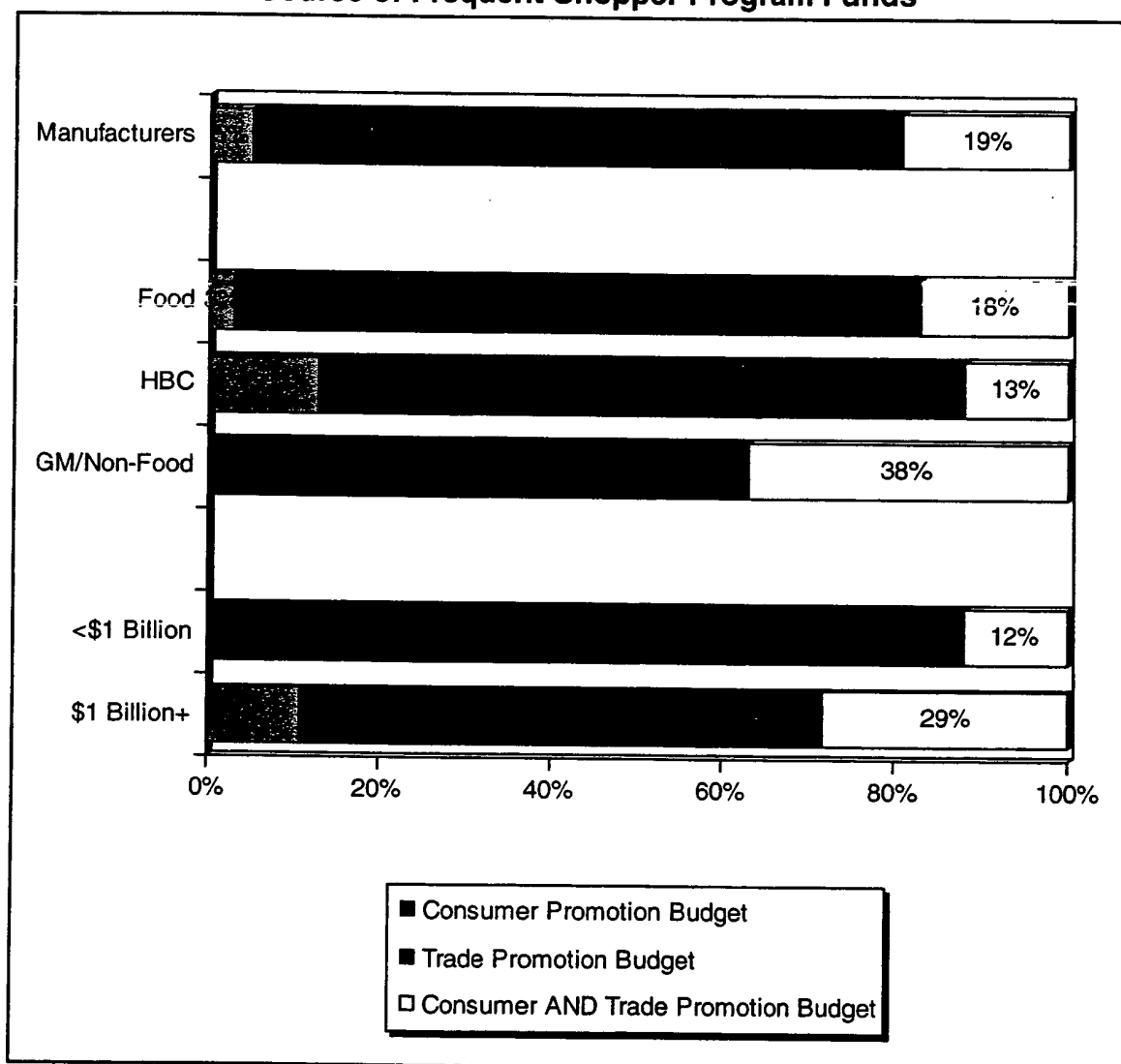
Most surveyed manufacturers who participate in frequent shopper programs fund them from the trade promotion budget.

Within manufacturing company type, a higher percentage of GM/Non-Food and larger organizations fund their frequent shopper programs from both the trade and consumer budgets.

Current Perspective

### Manufacturers

#### Source of Frequent Shopper Program Funds



Base Size  
Man: 62  
Food: 39  
HBC: 16  
GM/NF: 8  
<1\$ Bill: 34  
1 Bill+: 28

## Frequent Shopper Programs (cont'd)

Surveyed manufacturers and retailers report different perceptions in regards to whether the frequent shopper money provided by manufacturers was incremental to or a replacement of traditional programs differed slightly.

Nearly all of manufacturers who participate in frequent shopper programs indicate that the funds provided to retailers are most often or always a replacement to the funds provided for traditional programs. Retailers agree that the money is most often a replacement to traditional funds, but a higher percentage of retailers believe that a portion of the money is incremental to traditional funds than do manufacturers.

Current Perspective

### Frequent Shopper Program Money Provided Is *Incremental to or Replacement to* Money Provided for Traditional Promotional Programs

<u>Reason</u>	<u>Manufacturers</u> %	<u>Retailers</u> %
Incremental	3	13
Replacement	61	22
Both but Most Often Incremental	8	13
Both but Most Often Replacement	27	48

Base Size  
Man: 62  
Ret: 25

## Frequent Shopper Programs (cont'd)

Overall, the majority of the manufacturers and retailers who participated in this study perceive frequent shopper programs as only one of many tools used to successfully implement category management.

Current Perspective

### Relationship Between Frequent Shopper Programs and Category Management

	<u>Manufacturers</u>	<u>Retailers</u>
	%	%
Frequent Shopper Program Integral Part of Category Management	7	12
Frequent Shopper Program One of Many Mechanism to Implement Category Management	74	76
Frequent Shopper Program and Category Management Not Related At All	16	12

Base Size  
Man: 62  
Ret: 25

Within manufacturers, company size had a measurable influence on the perception of the relationship between frequent shopper programs and category management.

A slightly higher percentage of manufacturer executives from larger companies (as defined by annual sales revenue) perceive frequent shopper programs as part of the category management process than do smaller companies. However, a greater percentage of participating small company executives perceive that frequent shopper programs and the category management process are not related at all.

### Manufacturers

Current Perspective

### Relationship Between Frequent Shopper Programs and Category Management - by Company Size

	<u>&lt;\$ 1 Billion</u>	<u>\$ 1 Billion +</u>
	%	%
Frequent Shopper Program Integral Part of Category Management	6	7
Frequent Shopper Program One of Many Mechanism to Implement Category Management	68	82
Frequent Shopper Program and Category Management Not Related At All	21	11

Base Size  
<\$1 Bill: 34  
\$1 Bill+: 28



## Frequent Shopper Programs (cont'd)

Surveyed manufacturers who do not currently participate in frequent shopper programs report a variety of problems associated with these programs.

Although manufacturers report that retailers and consumers benefit from the programs, the lack of ability to analyze the data, combined with potential inaccuracies in the information, limit its usefulness to manufacturers.

### Current Perspective

### Manufacturers

#### Problems with Frequent Shopper Programs (Sample of Open End Responses)

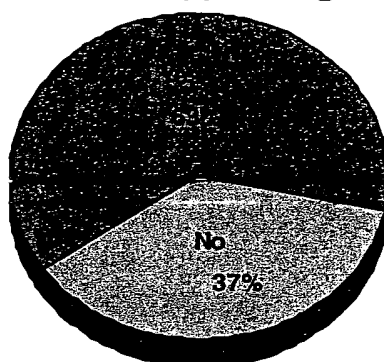
- *Not enough is done with the information once it is collected*
- *Long-term trends are not available, or not reliable*
- *Cost*
- *Cost versus benefits does not warrant participation*
- *Handling fees are too great*
- *Pricing information is not reliable*
- *Retailers benefit, but we do not*
- *The only group that reaps a benefit are consumers*
- *Lack of an established industry standard*
- *Costs are added, but we see little in the way of return*
- *Our company has no resources available to commit to management or analysis of the information*
- *Everyone is doing them - but to what end?*
- *Benchmarks do not exist, so comparing information is misleading*
- *Understanding the meaning behind the data is difficult and time consuming*

## Frequent Shopper Programs (cont'd)

The small number of retailers who do not currently offer frequent shopper programs identified several central implantation barriers. The resources and efforts required to get the program started, preference for other promotional tools, and need for ongoing maintenance were all mentioned by similar numbers of retailers.

Current Perspective

### Retailers Offer Frequent Shopper Programs

Base Size  
Ret: 40

Current Perspective

### Retailers

#### Reasons for Not Offering a Frequent Shopper Program

Too much trouble to get started	33%
Am looking to do one in the future	31%
Am using better promotional alternatives	27%
Haven't gotten around to it yet	10%
Requires too much on-going maintenance	8%
No competitors in my area offer one	4%

Base Size  
Ret: 15

## Frequent Shopper Programs (cont'd)

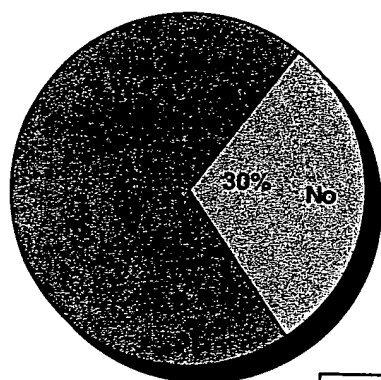
Manufacturers who have yet to adopt a frequent shopper program are mixed on the likelihood of implementing one in the near future.

Four in 10 manufacturers not currently involved in a program, claimed to be planning to participate in one within the next year. For the balance of companies, frequent shopper programs are not perceived as being beneficial or appropriate.

Current Perspective

### Manufacturers

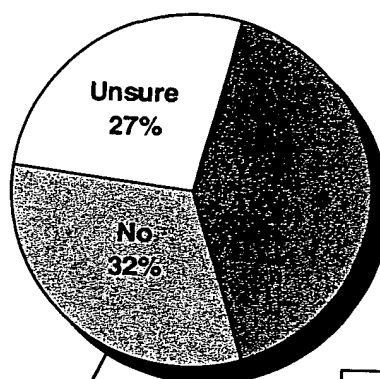
#### Participate In Frequent Shopper Programs



Base Size  
Man: 90

### Manufacturers

#### Planning to Participate in a Frequent Shopper Program Next 12 Months



Base Size  
Man: 22

### Manufacturers

Current Perspective

#### Reasons for Not Participating in a Frequent Shopper Program (Sample of Open-End Responses)

- No program are in place and there are no plans on the board
- Too expensive to implement at this time
- Too much ground to cover if we introduce a program at this late date
- Company is allocating resources to other, potentially more profitable programs
- Cachet of frequent shopper programs are wearing off. Consumer interest is waning due to industry saturation

Base Size  
Man: 7

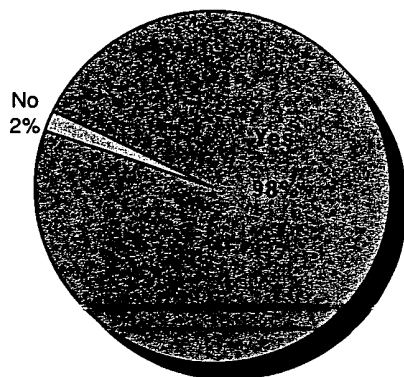
## Frequent Shopper Programs (cont'd)

Among manufacturers and retailers currently involved in frequent shopper programs, nearly all plan to continue.

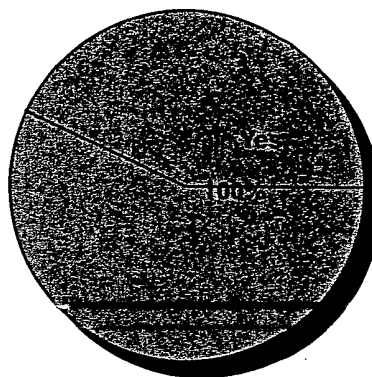
### Current Perspective

### Plan to Continue Participate In/Offer Frequent Shopper Program

**Manufacturers**



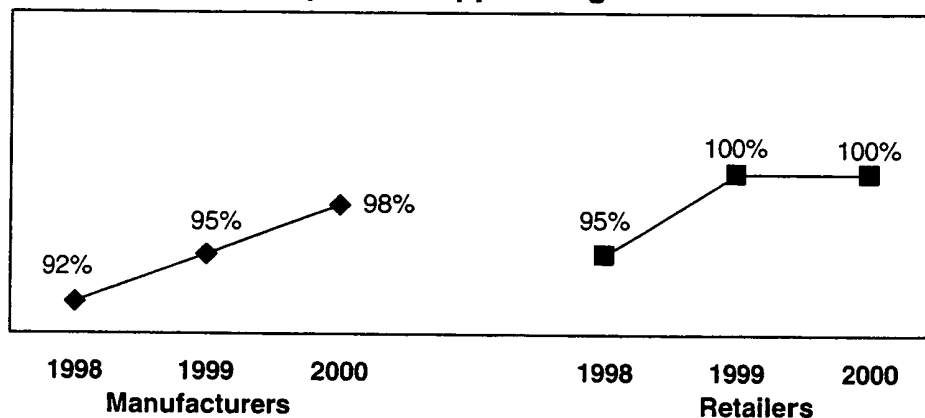
**Retailers**



Base Size  
Man: 62  
Ret: 25

### Trend Perspective

### Plan to Continue Participate In/Offer Frequent Shopper Programs



## **Critical Issues**

## Critical Issues

Surveyed manufacturers and retailers reported a wide range of issues impacting their respective industries.

### Summary of Most Critical Emerging Issues

#### Manufacturers

- Promotion Efficiency/Effectiveness
- Category Management
- New Product Introduction Implementation
- Understanding the Consumer
- Variety and Assortment

Base Size  
Man: 90

#### Retailers

- Category Management
- Promotion Efficiency and Effectiveness
- New Product Introduction and Implementation
- Variety and Assortment
- Customer Loyalty/Retention
- Food Safety/Security
- Space Management

Base Size  
Ret: 40

## Critical Issues

Although, promotion efficiency/effectiveness and category management were mentioned most often by both manufacturers and retailers, differences across the two groups emerged. Retailers are more concerned than manufacturers in regards to issues more relevant to their business -- food safety, changing store formats and making the retailer a brand. The ability to market at store levels was perceived to be more of an issue by manufacturers.

Current Perspective

### Critical Issues Key Issues Faced in Today's Market - 2000

<u>Issue</u>	<u>% Recognize as Critical Issue</u>	
	<u>Manufacturers</u>	<u>Retailers</u>
Promotion Efficiency/Effectiveness	98	95
Category Management	96	95
New Product Introductions/Implementation	94	93
Understanding the Consumer	93	80
Variety/Assortment	90	85
Trade Partners/Vendor Relationship	87	83
Space Management	84	93
Customer Loyalty/Retention	84	95
Private Label	76	88
Frequent Shopper/Loyalty Programs	70	78
Alternative Shopping Channels	68	68
Efficient Consumer Response	59	53
Manufacturers Marketing at Store Levels	56	40
Internalization of Retailers	53	18
Changing Store Formats	49	73
Food Safety/Security	41	68
Industry Category Definitions	40	43
Making the Retailer a Brand	38	65
Home Meal Replacement	36	53
Year 2000	14	33

Base Size
Man: 90
Ret: 40

## Critical Issues (cont'd)

Manufacturers and retailers were then asked to rate each of these issues on importance. Manufacturers assessed promotion effectiveness, understanding the consumer, new product introductions, customer loyalty/retention, trade partner relationship and category management to be the most important of the emerging issues.

In turn, retailers identified promotion efficiency/effectiveness, variety/assortment, customer loyalty, understanding the consumer, food safety, private label and category management to be the most important.

### Current Perspective

### Manufacturers Most Important Critical Issues

<u>Issue</u>	<u>Importance</u>
Promotion Efficiency/Effectiveness	3.6
Understanding Consumer	3.6
New Product Introductions/Implementation	3.6
Customer Loyalty/Retention	3.5
Trade Partners/Vendor Relationship	3.3
Category Management	3.2

Base Size  
Man: 90

### Current Perspective

### Retailers Most Important Critical Issues

<u>Issue</u>	<u>Importance</u>
Promotion Efficiency/Effectiveness	3.7
Variety and Assortment	3.6
Customer Loyalty/Retention	3.6
Understanding Consumer	3.6
Food Safety/Security	3.5
Private Label	3.5
Category Management	3.5

Base Size  
Ret: 40

Issues rated on a 4 point scale: 4 = Extremely Important/3= Important/2= Somewhat Important/1=Not at all Important



## Critical Issues (cont'd)

Looking ahead over the next 12 months, over 80% of manufacturers feel that alternative shopping channels will increase in importance. Other issues are cited in the chart below. *These results are in alignment with those identified in the 1999 study, indicating that manufacturers perceive these issues to be of long-term importance.*

Retailers agree with manufacturers on this point since, nearly all surveyed retailers perceive that alternative shopping channels will continue to increase in importance during the next year. Other issues of concern for retailers over the next 12 months include making the retailer a brand, promotion efficiency, growth of private label, understanding the consumer, changing store formats and food safety.

Current Perspective

### Manufacturers Percent Reporting Issue Will Increase in Importance Next 12 Months

<u>Issue</u>	<u>%</u>
Alternative Shopping Channels	82
Promotion Efficiency and Effectiveness	68
New Product Introduction/Implementation	60
Understanding Consumer	56
Customer Loyalty/Retention	53

Base Size  
Man: 90

Current Perspective

### Retailers Percent Reporting Issue Will Increase in Importance Next 12 Months

<u>Issue</u>	<u>%</u>
Alternative Shopping Channels	92
Making the Retailer a Brand	70
Promotion Efficiency and Effectiveness	69
Private Label	63
Understanding Consumer	62
Changing Store Formats	58
Food Safety/Security	54

Base Size  
Ret: 40



## **Addendum**

# **ACNielsen Marketing Research**

## **10<sup>th</sup> ANNUAL TRADE PROMOTION PRACTICES AND EMERGING ISSUES**

### **SURVEY OF MANUFACTURERS**

*All individual respondent answers to this survey will be held strictly confidential.*

*Please complete the questionnaire before August 3 and keep it in an  
accessible location in your office.*

*A representative from C/J Research will call during the four week period from August 3 to September 8.*

*During the telephone interview, you may simply read your answers  
to the executive interviewer.*

## SECTION 1: YOUR TRADE PROMOTION PRACTICES

ACNielsen would like to learn more about your marketing and trade promotion practices. The first couple of questions relate to the level and type of trade promotion spending your company has done over the past few years.

1. Please indicate if your company's total 1999 advertising and promotion budget allocated to trade promotion, consumer promotion and media advertising increased, decreased or remained the same from the calendar year 1998?

	1999 Allocation As compared to 1998		
Trade promotion spending	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Consumer promotion spending	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Media advertising spending	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Total Budget	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same

The next few questions address your company's trade promotion spending.

- 2A. Many companies measure their trade spending as a percent of gross dollar sales. What percent of your company's sales did your total trade spending represent during calendar 1999? (Record under Q2A below)
- 2B. Did your total trade spending as a percent of gross dollar sales increase as a percent of gross dollar sales, decrease as a percent of gross dollar sales, or remain the same when compared to calendar year 1998? (Record under Q2B below)

	2A. For calendar year:	2B. As compared to calendar 1998
My company's trade promotion spending (only) as a percent of gross dollar sales was:	_____ % 1999	<input type="checkbox"/> Increased <input type="checkbox"/> Decreased <input type="checkbox"/> Remained the same

- 2C. Which of the following objectives best summarizes the *main* reason your company spends on trade promotion? (Please "X" one answer)

- |   |  |
|---|--|
| <input type="checkbox"/> 1 To obtain retailer goodwill            | <input type="checkbox"/> 2 To increase sales volume                      |
| <input type="checkbox"/> 3 To increase market share               | <input type="checkbox"/> 4 To maintain current volume/share              |
| <input type="checkbox"/> 5 To increase profits                    | <input type="checkbox"/> 6 Improve competitive position with key account |
| <input type="checkbox"/> 7 Build brand loyalty/consumer franchise | <input type="checkbox"/> 8 Other (Please Specify): _____                 |

- 2D. What kind of value do you feel you are getting for the trade promotion dollars your company spends? (Please "X" one answer)

- |  |   |                                       |
|--|---|---------------------------------------|
| <input type="checkbox"/> 4 Excellent Value | <input type="checkbox"/> 3 Good Value                     | <input type="checkbox"/> 2 Fair Value |
| <input type="checkbox"/> 1 Poor Value      | <input checked="" type="checkbox"/> x Don't Know/Not Sure |                                       |

2E. Which of the following best describes your opinion regarding the impact of trade promotion on establishing brand loyalty? (Please "X" one answer)

- ☐ 5 Definitely helps establish brand loyalty      ☐ 4 Somewhat helps establish brand loyalty  
☐ 3 Has no impact      ☐ 2 Somewhat hurts establish brand loyalty  
☐ 1 Definitely hurts establish brand loyalty      ☒ x Don't Know/Not Sure

3. Listed below are various components of trade promotion spending. Please indicate for each component, if in 1999, the trade promotion dollars you allocated increased, decreased or remained the same as compared to 1998. Please use the scale below:

I = Increased

D = Decreased

S = Remained the same

Components of Trade Promotion :	Q3 Trade promotion \$ in 1999
	Increase, Decrease, or Remain the Same
Off-invoice allowances (i.e. all cents-off offers to the trade reflected on a unit basis <b>not</b> including those promotional dollars for Frequent Shopper programs)	
Frequent Shopper Programs (i.e. participation in cents off offers in the retailers Frequent Shopper Ad Program)	
Bill-back advertising allowances (i.e. all feature ad, broadcast co-op, roto and circular expenses that the trade bills back on a unit basis after performance)	
Bill-back display allowances (i.e. all merchandising and display expenses that the trade bills back on a unit basis after performance)	
Accrual programs (i.e. all advertising, merchandising, and display programs which generate specific funds based on historical unit sales. These funds are spent against future performance.)	
Market development funds (i.e. all feature, roto, merchandising, retailer TV advertising, and display programs which do not appear on invoices – also known as "street money")	
Slotting allowances (i.e. expenses required for slotting new products into trade warehouses and on individual store shelves - includes payments made by free goods but not introductory cents/unit allowances.)	
Pay for performance promotions (i.e. all payments for merchandising and displays generated by the trade based on a performance [product sales movement] basis) (Scandowns)	
Coupon ad handling fees (i.e. all payments for handling costs charged by the retailer trade to run a coupon ad promotion in their ad roto/flyer)	
Other (please specify any other trade expense not covered above -- i.e. fixed funds, other free goods programs, buy one/get one free, etc.)   	

\* Excluding terms such as 2% 10 net 30 Spending

4. Does your company sign annual trade promotion agreements or contracts with a retailer?

- ☐ 1 Yes      ☐ 2 No      ☒ x Don't Know/Not Sure

Following are some questions specifically regarding new product introductions, retailer slotting allowances and off-invoice promotions.

5A. In 1999, did the number of new products that your company introduced increase, decrease or remain unchanged from 1998? (Please "X" only one that applies)

☐ Increased

☐ Decreased

☐ Unchanged

☒ Don't Know/Not Sure

5B. During 1999, was your company charged a failure fee (or penalty fee) by a retailer for new products that did not meet the specified or promised sales in a given time frame?

☐ Yes

☐ No

☒ Don't Know/Not Sure

6. On average, over the 12 months of 1999, how many weeks did your company's off-invoice trade promotions run?

When answering this question, think about the average number of weeks between your first shipment of a promoted product to the trade and the final ship date allowed for that promotion.

Average number of weeks for off-invoice/trade promotion: \_\_\_\_\_

## SECTION 2: FREQUENT SHOPPER PROGRAMS

7. Is your company currently participating in any Frequent Shopper programs?

☐ Yes → Continue with Q8

☐ No → Skip to Q16A

☒ Don't Know/Not Sure → Skip to Q16A

8. Since you are currently participating in a Frequent Shopper program, on a scale of 1 to 5, with "5" being *Extremely Beneficial* and "1" being *Not At All Beneficial*, please rate the benefit of your Frequent Shopper program participation to the following audiences.

Please circle the number that most closely expresses your opinion.

	Extremely Beneficial						Not At All Beneficial	No Opinion
To your customers .....	5	4	3	2	1			X
To you, the manufacturer.....	5	4	3	2	1			X
To your retailer accounts .....	5	4	3	2	1			X

9A. What are the major reasons you participate in Frequent Shopper programs? (Please "X" all that apply from the list below).

9B. Of the reasons that you have marked with "X", please rank the top 3 reasons that apply to your company by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside the reasons.

☐ Required to by retailer \_\_\_\_\_

☐ New way to do trade programs \_\_\_\_\_

☐ Receive information on key consumers \_\_\_\_\_

☐ To increase brand sales \_\_\_\_\_

☐ Reward consumers through rebates \_\_\_\_\_

☐ Consumer interest \_\_\_\_\_

☐ Reaction to competition \_\_\_\_\_

☐ To increase brand loyalty \_\_\_\_\_

☐ Better use of trade funds \_\_\_\_\_

☐ Able to target key consumers \_\_\_\_\_

☐ Bring in new consumers to our brand franchise \_\_\_\_\_

☐ We like to innovate \_\_\_\_\_

☐ Other (Please Specify) \_\_\_\_\_

10A. Is the money provided to retailers for Frequent Shopper programs allocated from the Consumer Promotion Budget or the Trade Promotion Budget?

☐ Consumer Promotion Budget

☐ Trade Promotion Budget

☐ Both

☐ Don't Know/Not Sure

10B. Is the money provided to retailers for Frequent Shopper programs incremental to OR a replacement to the money provided to retailers for traditional promotion programs? (Please "X" only one that applies)

☐ Incremental

☐ Replacement

☐ Both, but is incremental most often across all retailers

☐ Both, but is a replacement most often across all retailers

☐ Don't Know/Not Sure



11. In the past year, do you agree or disagree that your spending on Frequent Shopper programs has generated higher returns than your spending on traditional promotion programs (features, displays, TPRs, etc.)? (Circle one that applies most)

Completely Agree	Neither Agree Nor Disagree	Completely Disagree
7.....6.....5.....4.....3.....2.....1		

- 12A. How often have retailers been willing to share their Frequent Shopper data with your organization? (Circle one that applies most)

Always	Frequently	Occasionally	Never	Don't Know/Not Sure
4.....3.....2.....1.....X				

- 12B. How often do you use available Frequent Shopper data in your everyday decision-making such as pricing, etc.? (Circle one that applies most)

Always	Frequently	Occasionally	Never	Don't Know/Not Sure
4.....3.....2.....1.....X				

13. Which of the following statements best describes the relationship between Frequent Shopper programs and Category Management? (Please "X" only one statement that most reflects your opinion)

- ☐ 1 Frequent Shopper programs are an integral part of the Category Management process  
☐ 2 Frequent Shopper programs are only one of the many mechanisms to implement the Category Management process  
☐ 3 Frequent Shopper programs and the Category Management process are not related at all  
☒ x Don't Know/Not Sure

14. Does your company plan to *continue* participating in Frequent Shopper programs through the next twelve months?

- ☐ 1 Yes      ☐ 2 No      ☒ x Don't Know/Not Sure

15. What, if any, do you see are the problems with Frequent Shopper programs today? (Please record your answer in detail on the space below)

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The following questions are for manufacturers who do not currently participate in a Frequent Shopper program.

16A. Although you currently do not participate in a Frequent Shopper program, are you planning on participating in one within the next 12 months?

1 ☐ Yes → Skip to Q17

2 ☐ No → Continue

x ☒ Don't Know/Not Sure → Continue

16B. Please explain why you do not plan to participate in a Frequent Shopper program over the next 12 months. (Please be as specific as possible)

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### SECTION 3: CUSTOMER/TRADE MARKETING RESPONSIBILITIES

17. For your company, who has the primary responsibility for establishing and managing the trade promotion budget? (Please "X" one answer)

- |  |  |
|--|--|
| <input type="checkbox"/> 1 Brand Management                    | <input type="checkbox"/> 2 Senior Sales Management |
| <input type="checkbox"/> 3 Promotion Planning Department       | <input type="checkbox"/> 4 Regional Marketing Team |
| <input type="checkbox"/> 5 Customer/Trade Marketing Department | <input type="checkbox"/> 6 Key Account Manager     |
| <input type="checkbox"/> 7 Undefined Responsibility            | <input type="checkbox"/> 8 Broker                  |
| <input type="checkbox"/> 9 Other (Please Specify): _____       |  |

18. Does your company have a Customer/Trade Marketing department -- that is, a group of people dedicated to the task of marketing to the trade?

- ☐ 1 Yes → Continue with Q19      ☐ 2 No → Skip to Q21A      ☐ x Don't Know/Not Sure → Skip to Q21A

19. To whom does this Customer/Trade Marketing department/staff report?

- ☐ 1 Marketing      ☐ 2 Sales      ☐ 3 Other (Please Specify): \_\_\_\_\_

20A. Which of the following functions does your Customer/Trade Marketing department/staff perform? (Please "X" all that apply)

- |   |  |
|---|--|
| <input type="checkbox"/> 1 Performing evaluations                           | <input type="checkbox"/> 2 Controlling <u>the trade promotion</u> budget |
| <input type="checkbox"/> 3 Controlling <u>the consumer promotion</u> budget | <input type="checkbox"/> 4 Managing profit/loss                          |
| <input type="checkbox"/> 5 Managing category management initiatives         | <input type="checkbox"/> 6 Managing Efficient Consumer Response (ECR)    |
| <input type="checkbox"/> 7 Managing retail alliance relationships           |  |

20B. In many companies, the Customer/Trade Marketing department is comprised of people with different backgrounds, skills or experience because of the variety of functions they are required to perform.

What kinds of background or experience do the people in your Customer/Trade Marketing department have? (Please "X" all that apply from the list below)

20C. If more than one applies, please circle the background or experience that is most represented in your Customer/Trade Marketing department.

- |  |  |
|--|--|
| <input type="checkbox"/> 1 Sales                         | <input type="checkbox"/> 2 Marketing     |
| <input type="checkbox"/> 3 Research                      | <input type="checkbox"/> 4 Finance       |
| <input type="checkbox"/> 5 Logistics                     | <input type="checkbox"/> 6 Merchandising |
| <input type="checkbox"/> 7 Purchasing                    | <input type="checkbox"/> 8 Operations    |
| <input type="checkbox"/> 9 Other (Please Specify): _____ |  |

21A. Shifting focus now from the sales/trade marketing reporting to your field sales organization, which of the following functions does your field sales organization perform? (Please "X" all that apply.)

21B. For all the functions that you have marked an "X", please rank the top 3 functions that are most often performed by your field sales organization by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside each function.

<sup>1</sup> ☐ Performing evaluations \_\_\_\_\_

<sup>2</sup> ☐ Controlling the trade promotion budget \_\_\_\_\_

<sup>3</sup> ☐ Controlling the consumer promotion budget \_\_\_\_\_

<sup>4</sup> ☐ Managing profit/loss \_\_\_\_\_

<sup>5</sup> ☐ Managing category management initiatives \_\_\_\_\_

<sup>6</sup> ☐ Managing Efficient Consumer Response (ECR) initiatives \_\_\_\_\_

<sup>7</sup> ☐ Managing retail alliance relationships \_\_\_\_\_

## SECTION 4: CATEGORY MANAGEMENT

This section asks you about the role of Category Management in your company.

22. For each of the following activities, please check "X" in one of the three columns if your company (1) currently includes as a part of its category management process, (2) does not currently include but plans to include over the next 12 months or (3) does not plan to include over the next 12 months.

	1. Currently a Part of Category Management	2. Currently Not a Part But Plan to Include in Category Management Over the Next 12 Months	3. Do Not Plan to Include in Category Management Over the Next 12 Months
<i>Category business planning</i>			
<i>Assortment planning</i>			
<i>Promotional planning</i>			
<i>Everyday pricing</i>			
<i>Shelf Management</i>			
<i>Micro-merchandising</i>			
<i>Micro-marketing</i>			
<i>Frequent Shopper or Loyalty Shopping programs</i>			
<i>Other</i>			

23. What department is responsible for implementing category management in your company?  
(Please "X" one answer)

☐ <sup>1</sup> Brand Management

☐ <sup>2</sup> Senior Sales Management

☐ <sup>3</sup> Promotion Planning Department

☐ <sup>4</sup> Regional Marketing Team

☐ <sup>5</sup> Customer / Trade Marketing Department

☐ <sup>6</sup> Key Account Manager

☐ <sup>7</sup> Undefined Responsibility

☐ <sup>8</sup> Other (Please specify): \_\_\_\_\_

24A. What are the major reasons you practice category management? (Please "X" all that apply from the list below)

24B. Of the reasons that you have marked with "X", please rank the top 3 reasons you practice category management in your company by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside the reasons.

- |   |   |
|---|---|
| <input type="checkbox"/> 1 Increase effectiveness of promotions _____     | <input type="checkbox"/> 2 Optimize our item mix _____                            |
| <input type="checkbox"/> 3 Induce consumer purchase frequency _____       | <input type="checkbox"/> 4 To increase our brand equity _____                     |
| <input type="checkbox"/> 5 Induce consumer loyalty _____                  | <input type="checkbox"/> 6 Reaction to competition _____                          |
| <input type="checkbox"/> 7 Ensure category leadership _____               | <input type="checkbox"/> 8 Able to target key consumers _____                     |
| <input type="checkbox"/> 9 To influence decisions on our categories _____ | <input type="checkbox"/> 10 Increase revenue _____                                |
| <input type="checkbox"/> 11 Increase profitability _____                  | <input type="checkbox"/> 12 To create positive relationships with retailers _____ |
| <input type="checkbox"/> 13 Identify new opportunities _____              | <input type="checkbox"/> 14 Other (Please specify): _____                         |

25. Does your company currently have alliances with retailers as a category "captain"?  
(Please "X" one answer)

- ☐ 1 Yes, with a great many retailers → Continue with Q26
- ☐ 2 Yes, with a few retailers → Continue with Q26
- ☐ 3 No, not at all → Skip to Q27A

26. As a category "captain", the value you are receiving on your investment is.....?  
(Please "X" the one that applies most)

- |  |   |                                       |
|--|---|---------------------------------------|
| <input type="checkbox"/> 4 Excellent Value | <input type="checkbox"/> 3 Good Value                     | <input type="checkbox"/> 2 Fair Value |
| <input type="checkbox"/> 1 Poor Value      | <input checked="" type="checkbox"/> x Don't Know/Not Sure |                                       |

**SECTION 5: CRITICAL ISSUES**

There are many issues that are critical to the industry today.

27A. From the following list of key issues, please check all the ones that impact your company (Please "X" all that apply under column Q27A)

27B. Now, please rate the following issues in their importance to you using the scale below. (Please indicate your responses under column Q27B below);

4 = *Extremely Important*      3 = *Somewhat Important*      2 = *Important*      1 = *Not At All Important*

27C. During the next 12 months, for each of the activities below, please indicate if the activity will increase, decrease or remain same in its importance to your company (Please indicate using letters I, D or S under column Q27C using the scale shown)

I = *Increase in Importance*

D = *Decrease in Importance*

S = *Remain the Same*

Q27A		Q27B	Q27C
Issues (X All That Impact Your Company)		Importance Rating (4 - 3 - 2 - 1)	Importance Over the Next 12 Months (I, D or S)
<input type="checkbox"/> 1	Category Management	_____	_____
<input type="checkbox"/> 2	Promotion efficiency and effectiveness	_____	_____
<input type="checkbox"/> 3	New product introductions and implementation	_____	_____
<input type="checkbox"/> 4	Variety and assortment	_____	_____
<input type="checkbox"/> 5	Frequent Shopper/Loyalty programs	_____	_____
<input type="checkbox"/> 6	Understanding the consumer	_____	_____
<input type="checkbox"/> 7	Private label	_____	_____
<input type="checkbox"/> 8	Trade partners/vendor relationships	_____	_____
<input type="checkbox"/> 9	Customer loyalty and retention	_____	_____
<input type="checkbox"/> 10	Home meal replacement	_____	_____
<input type="checkbox"/> 11	Space management	_____	_____
<input type="checkbox"/> 12	Manufacturers marketing at the store level	_____	_____
<input type="checkbox"/> 13	Industry category definitions	_____	_____
<input type="checkbox"/> 14	Making the retailer a brand	_____	_____
<input type="checkbox"/> 15	Changing store formats	_____	_____
<input type="checkbox"/> 16	Internationalization of retailers	_____	_____
<input type="checkbox"/> 17	Efficient Consumer Response (ECR)	_____	_____
<input type="checkbox"/> 18	Food safety/security	_____	_____
<input type="checkbox"/> 19	Year 2000	_____	_____
<input type="checkbox"/> 20	Alternative shopping channels (e.g. Internet, TV, Phone)	_____	_____

## SECTION 6: CLASSIFICATION

These last few questions are just for classification purposes.

28. Which product category best describes the market in which your products compete?

- |   |  |
|---|--|
| <input type="checkbox"/> 1 Health & Beauty Care           | <input type="checkbox"/> 2 General Merchandise |
| <input type="checkbox"/> 3 Refrigerated prepackaged Foods | <input type="checkbox"/> 4 Beverages           |
| <input type="checkbox"/> 5 Frozen Foods                   | <input type="checkbox"/> 6 Dry Grocery         |
| <input type="checkbox"/> 7 Fresh Meat/Produce             | <input type="checkbox"/> 8 Grocery/Non-Foods   |
| <input type="checkbox"/> 9 Other (Please Specify): _____  |  |

29. For the products that you currently offer, which of the following channels carry those products (Please "X" all that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> 1 Grocery Retail – traditional supermarkets | <input type="checkbox"/> 2 Mass Merchandisers         |
| <input type="checkbox"/> 3 Supercenters                              | <input type="checkbox"/> 4 Club Stores                |
| <input type="checkbox"/> 5 Traditional Drug stores                   | <input type="checkbox"/> 6 Health/Natural Food stores |
| <input type="checkbox"/> 7 Television                                | <input type="checkbox"/> 8 Internet                   |

30. Is your company presently using an EDLP (everyday low pricing) program or "High-Low" pricing program or a combination (EDLP and "High-Low") pricing program?

- ☐ 1 EDLP      ☐ 2 High-Low Pricing      ☐ 3 Combination Pricing      ☒ x Don't Know/Not Sure

31. What were the total sales for this product division in calendar year 1999?

- |   |   |
|---|---|
| <input type="checkbox"/> 1 Under \$100 Million                | <input type="checkbox"/> 2 \$100 Million to under \$500 Million |
| <input type="checkbox"/> 3 \$500 Million to under \$1 Billion | <input type="checkbox"/> 4 \$1 Billion to under \$2 Billion     |
| <input type="checkbox"/> 5 \$2 Billion or more                |   |

32. Do the responses on this questionnaire apply to.....? (Please "X" one answer)

- ☐ 1 The entire company      ☐ 2 A division      ☐ 3 Other (Please Specify): \_\_\_\_\_



**Thank you very much for your participation. As a token of our appreciation, we would like to send you the copy of this report by mail at no cost to you. Please provide us with your contact information.**

**Respondent Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Company Name:** \_\_\_\_\_

**Address 1:** \_\_\_\_\_

**Address 2:** \_\_\_\_\_

**State:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_

**ACNielsen Marketing Research**

**4<sup>th</sup> ANNUAL TRADE PROMOTION PRACTICES AND  
EMERGING ISSUES**

**SURVEY OF RETAILERS**

*All individual respondent answers to this survey will be held strictly confidential.*

*Please complete the questionnaire before August 3 and keep it in an  
accessible location in your office.*

*A representative from C/J Research will call during the four week period from August 3 to September 8.*

*During the telephone interview, you may simply read your answers  
to the executive interviewer.*

## SECTION 1: YOUR TRADE PROMOTION PRACTICES

ACNielsen would like to learn more about your marketing and trade promotion practices. The first couple of questions relate to the level and type of trade promotion spending your company has done over the past few years.

1. During calendar 1999, please indicate if your company's total promotional dollars from internal retailer funds, manufacturer funds, and coop (equal contribution) funds increased, decreased or remained the same versus 1998?

Percent of your company's total advertising/promotion budget allocated to:	1999 Sources As compared to 1998		
Internal Retailer funds	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Manufacturer funds	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Coop funds	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same
Total Budget	<input type="checkbox"/> Increased	<input type="checkbox"/> Decreased	<input type="checkbox"/> Remained the same

These next few questions address trade promotion specifically.

2. In your opinion, is the share of manufacturer trade promotion dollars you are receiving... ("X" only one)

1 ☐ More than enough      2 ☐ Sufficient      3 ☐ Not enough      x ☐ Don't Know/Not Sure

- 3A. What are the main reasons you do promotions? (Please "X" all that apply from the list below)

- 3B. Of the reasons that you have indicated with an "X", please rank the top 3 main reasons you do promotions by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside each reason.

- |   |   |
|---|---|
| 1 <input type="checkbox"/> Consumer interest _____                  | 2 <input type="checkbox"/> Method to increase trade funds _____ |
| 3 <input type="checkbox"/> Induce consumer purchase frequency _____ | 4 <input type="checkbox"/> Increase basket size _____           |
| 5 <input type="checkbox"/> Induce consumer loyalty _____            | 6 <input type="checkbox"/> Reaction to competition _____        |
| 7 <input type="checkbox"/> Bring in new customers _____             | 8 <input type="checkbox"/> Improve category performance _____   |
| 9 <input type="checkbox"/> Able to target key consumers _____       | 10 <input type="checkbox"/> Increase store sales _____          |
| 11 <input type="checkbox"/> We like to innovate _____               | 12 <input type="checkbox"/> To increase store traffic _____     |
| 13 <input type="checkbox"/> Other (Please specify): _____           |   |

4. Which of the following best describes your opinion regarding the impact of trade promotion on establishing brand loyalty? (Please "X" only one)

- |   |   |
|---|---|
| 5 <input type="checkbox"/> Definitely helps establish brand loyalty | 4 <input type="checkbox"/> Somewhat helps establish brand loyalty |
| 3 <input type="checkbox"/> Has no impact on brand loyalty           | 2 <input type="checkbox"/> Somewhat hurts brand loyalty           |
| 1 <input type="checkbox"/> Definitely hurts brand loyalty           | x <input type="checkbox"/> Don't Know/Not Sure                    |

5. Please indicate for each component below, if in 1999, the trade promotion dollars you received increased, decreased or remained the same as compared to 1998. Please use the scale below:

I = Increased

D = Decreased

S = Remained the Same

Components of Trade Promotion *	Q5 Trade Promotion \$ received in 1999 (Increased Decreased or Remained Same)
Off-invoice allowances (i.e. all cents-off offers to the trade reflected on a unit basis not including those promotional dollars for Frequent Shopper programs)	
Frequent Shopper Programs (i.e. participation in cents off offers in the retailers Frequent Shopper Ad Program)	
Bill-back advertising allowances (i.e. all feature ad, broadcast co-op, roto and circular expenses that the trade bills back on a unit basis after performance)	
Bill-back display allowances (i.e. all merchandising and display expenses that the trade bills back on a unit basis after performance)	
Accrual programs (i.e. all advertising, merchandising, and display programs which generate specific funds based on historical unit sales. These funds are spent against future performance.)	
Market development funds (i.e. all feature, roto, merchandising, retailer TV advertising, and display programs which do not appear on invoices - also known as "street money")	
Slotting allowances (i.e. expenses required for slotting new products into trade warehouses and on individual store shelves - includes payments made by free goods but not introductory cents/unit allowances.)	
Pay for performance promotions (i.e. all payments for merchandising and displays generated by the trade based on a performance [product sales movement] basis) (Scandowns)	
Coupon ad handling fees (i.e. all payments for handling costs charged by the retailer trade to run a coupon ad promotion in their ad roto/flyer)	
Other (please specify any other trade expense not covered above -- i.e. fixed funds, other free goods programs, buy one/get one free, etc.)  	
* Excluding terms such as 2% 10 net 30 Total Trade Spending	

6. Does your company use annual trade promotion agreements or contracts?

1 ☐ Yes

2 ☐ No

x ☐ Don't Know/Not Sure

Following are some questions specifically regarding new product introductions and slotting allowances.

- 7A. In 1999, has the number of new products brought to you increased, decreased or remained unchanged from 1998? (Please "X" only one that applies)

1 ☐ Increased

2 ☐ Decreased

3 ☐ Unchanged

x ☐ Don't Know/Not Sure

- 7B. Do you charge slotting allowances to manufacturers (including free goods but excluding introductory deals) for national new product introductions?

1 ☐ Yes

2 ☐ No

x ☐ Don't Know/Not Sure

8A. Do you charge a failure fee (or penalty fee) for new products that do not meet the specified or promised sales in a given time frame?

☐ Yes → Continue with Q8B    ☐ No → Skip to Q9    ☒ Don't Know/Not Sure → Skip to Q9

8B. In 1999, did the failure fee (or penalty fee) you charge, increase, decrease or remain the same as compared to 1998?

☐ Increased    ☐ Decreased    ☐ Remained the same    ☒ Don't Know/Not Sure

The next few questions are regarding off-invoice promotion allowances.

9. On average, in 1999, how many weeks did your company receive off-invoice/trade promotion funds for a promoted product?

When answering this question, think about the average number of weeks between your first shipment receipt of a promoted product and the final ship date allowed for that promotion.

Average number of weeks for off-invoice/trade promotion: \_\_\_\_\_

## SECTION 2: FREQUENT SHOPPER PROGRAMS

10. Is your company currently offering any Frequent Shopper programs?

- ☐ Yes → Continue with Q11    ☐ No → Skip to Q19    ☒ Don't Know/Not Sure → Skip to Q19

11. Since you currently offer a Frequent Shopper program, on a scale of "1" to "5", with "5" being *Extremely Beneficial* and "1" being *Not At All Beneficial*, please rate the benefit of your Frequent Shopper program to each of the following:

Please circle the number that most closely expresses your opinion.

	Extremely Beneficial						Not At All Beneficial	No Opinion
To consumers that shop in your stores .....	5	4	3	2	1			X
To you, the retailer .....	5	4	3	2	1			X
To your manufacturer, suppliers .....	5	4	3	2	1			X

12A. What are the major reasons you offer Frequent Shopper programs? (Please "X" all that apply)

12B. Of the reasons you have marked with an "X", please rank the top 3 major reasons you offer Frequent Shopper programs by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside each reason.

- |   |   |
|---|---|
| <input type="checkbox"/> Consumer interest _____                  | <input type="checkbox"/> Method to increase trade funds _____   |
| <input type="checkbox"/> Induce consumer purchase frequency _____ | <input type="checkbox"/> Increase basket size _____             |
| <input type="checkbox"/> Induce consumer loyalty _____            | <input type="checkbox"/> Reaction to competition _____          |
| <input type="checkbox"/> Bring in new customers _____             | <input type="checkbox"/> Better use of trade funds _____        |
| <input type="checkbox"/> Able to target key consumers _____       | <input type="checkbox"/> Increase store traffic _____           |
| <input type="checkbox"/> We like to innovate _____                | <input type="checkbox"/> Reward customers through rebates _____ |
| <input type="checkbox"/> Gather consumer information _____        | <input type="checkbox"/> Other (Please Specify) _____           |

13A. For the past year, do you agree or disagree that your Frequent Shopper program has generated higher returns than your traditional promotion programs (features, displays, TPRs, etc.)?

Completely Agree	Neither Agree Nor Disagree	Completely Disagree
7.....	6.....	5.....
	4.....	3.....
		2.....
		1.....

13B. Is the money provided to you by manufacturers for Frequent Shopper programs incremental to OR a replacement to the money provided to you by manufacturers for traditional promotion programs? (Please "X" one that applies)

- ☐ Incremental  
☐ Replacement  
☐ Both, but is incremental most often across all manufacturers  
☐ Both, but is a replacement most often across all manufacturers  
☒ Don't Know/Not Sure

14A. Are you currently sharing your Frequent Shopper information (excluding names and addresses of consumers) with manufacturers? (Please "X" one that applies)

- ☐ 1 Yes, with all manufacturers → Skip to Q15  
☐ 2 Yes, with most manufacturers → Skip to Q15  
☐ 3 Yes, with a few manufacturers → Skip to Q15  
☐ 4 No, not currently sharing with any manufacturers → Continue with Q14B  
☒ x Don't Know/Not Sure → Continue with Q14B

14B. If not, are you planning to share your Frequent Shopper information (excluding names and addresses of consumers) with manufacturers?

- ☐ 1 Yes                      ☐ 2 No

15. How often do you use your Frequent Shopper data in your everyday decision-making such as buying, merchandising, etc.? (Circle one that applies most)

Always	Frequently	Occasionally	Never	Don't Know/ Not Sure
4.....	3.....	2.....	1.....	X

16A. Which of the following statements best describes the relationship between Frequent Shopper programs and Category Management? ("X" only one statement that most reflects your opinion)

- ☐ 1 Frequent Shopper programs are an integral part of the Category Management process  
☐ 2 Frequent Shopper programs are only one of the many mechanisms to implement the Category Management process  
☐ 3 Frequent Shopper programs and the Category Management process are not related at all

16B. Have you developed any direct marketing programs that target your individual consumers using their specific purchasing habits?

- ☐ 1 Yes                      ☐ 2 No                      ☒ x Don't Know/Not Sure

17. Does your company plan to *continue* offering Frequent Shopper programs throughout the next twelve months?

- ☐ 1 Yes                      ☐ 2 No                      ☒ x Don't Know/Not Sure

18A. Do you currently share your Frequent Shopper movement and price data with information partners such as ACNielsen or IRI?

☐ Yes → Skip to Q19

☐ No → continue

☒ Don't Know/Not Sure → continue

18B. If not, what are your reasons for not sharing. (Please be as specific as possible)

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Following questions are for retailers who currently do not offer Frequent Shopper programs.

19. You indicated that you currently do not offer a Frequent Shopper program. Please read the statements below and "X" all that apply to why you do not have a Frequent Shopper program.

☐ Too much trouble to get started

☐ No competitors in my area offer one

☐ Haven't gotten around to it yet

☐ Requires too much on-going maintenance

☐ Am looking at doing one in the future

☐ Am using better promotional alternatives

(Please Specify): \_\_\_\_\_

20. Although you currently do not offer a Frequent Shopper program, are you planning to introduce one over the next 12 months?

☐ Yes

☐ No

☒ Don't Know/Not Sure



### SECTION 3: CATEGORY MANAGEMENT

This section asks you about the role of Category Management in your company.

21. For each of the following activities, please mark "X" in one of the three columns if your company (1) currently includes as a part of its category management process, (2) does not currently include but plans to include over the next 12 months or (3) does not plan to include over the next 12 months.

	1. Currently a Part of Category Management	2. Currently Not a Part But Plan to Include in Category Management Over the Next 12 Months	3. Do Not Plan to Include in Category Management Over the Next 12 Months
Category business planning			
Assortment planning			
Promotional planning			
Everyday pricing			
Shelf Management			
Micro-merchandising			
Micro-marketing			
Frequent Shopper or Loyalty Shopping programs			
Other _____			

- 22A. What are the major reasons you practice category management? (Please "X" all that apply from the list below)

- 22B. Of the reasons that you have marked with "X", please rank the top 3 reasons you practice category management in your company by indicating 1, 2 or 3 (1=highest and 3=lowest) in the space provided alongside the reasons.

- |   |  |
|---|--|
| 1 <input type="checkbox"/> Increase effectiveness of promotions _____ | 2 <input type="checkbox"/> Optimize our item mix _____       |
| 3 <input type="checkbox"/> Induce consumer purchase frequency _____   | 4 <input type="checkbox"/> Increase basket size _____        |
| 5 <input type="checkbox"/> Induce consumer loyalty _____              | 6 <input type="checkbox"/> Reaction to competition _____     |
| 7 <input type="checkbox"/> Bring in new customers _____               | 8 <input type="checkbox"/> Ensure category leadership _____  |
| 9 <input type="checkbox"/> Able to target key consumers _____         | 10 <input type="checkbox"/> Increase store traffic _____     |
| 11 <input type="checkbox"/> Increase revenue _____                    | 12 <input type="checkbox"/> Increase profitability _____     |
| 13 <input type="checkbox"/> Gather consumer information _____         | 14 <input type="checkbox"/> Identify new opportunities _____ |
| 15 <input type="checkbox"/> Other (Please Specify): _____             |  |

23. Does your company currently select manufacturer/supplier "captains" for a category?

- 1 ☐ Yes                      2 ☐ No                      x ☐ Don't Know/Not Sure

## SECTION 4: CRITICAL ISSUES

There are many issues that are critical to the industry today.

24A. From the following list of key issues, please check all the ones that apply to your company (Please "X" all that apply under column Q24A)

24B. Now, please rate the following issues in their importance to you using the scale below. (Please indicate your responses under column Q24B below);

4 = Extremely important

3 = Important

2 = Somewhat important

1 = Not at all important

24C. During the next 12 months, for each of the activities below, please indicate if the activity will increase, decrease or remain same in its importance to your company (Please indicate using letters I, D or S under column Q24C using the scale shown)

I = Increase in Importance

D = Decrease in Importance

S = Remain the Same

Q24A Issues (Check all that apply)		Q24B Importance Rating (4 - 3 - 2 - 1)	Q24C Importance Over The Next 12 months (I, D or S)
<input type="checkbox"/> 1	Category Management	_____	_____
<input type="checkbox"/> 2	Promotion efficiency and effectiveness	_____	_____
<input type="checkbox"/> 3	New product introductions and implementation	_____	_____
<input type="checkbox"/> 4	Variety and assortment	_____	_____
<input type="checkbox"/> 5	Frequent Shopper/Loyalty programs	_____	_____
<input type="checkbox"/> 6	Understanding the consumer	_____	_____
<input type="checkbox"/> 7	Private label	_____	_____
<input type="checkbox"/> 8	Trade partners/vendor relationships	_____	_____
<input type="checkbox"/> 9	Customer loyalty and retention	_____	_____
<input type="checkbox"/> 10	Home meal replacement	_____	_____
<input type="checkbox"/> 11	Space management	_____	_____
<input type="checkbox"/> 12	Manufacturers marketing at the store level	_____	_____
<input type="checkbox"/> 13	Industry category definitions	_____	_____
<input type="checkbox"/> 14	Making the retailer a brand	_____	_____
<input type="checkbox"/> 15	Changing store formats	_____	_____
<input type="checkbox"/> 16	Internationalization of retailers	_____	_____
<input type="checkbox"/> 17	Efficient Consumer Response (ECR)	_____	_____
<input type="checkbox"/> 18	Food safety/security	_____	_____
<input type="checkbox"/> 19	Year 2000	_____	_____
<input type="checkbox"/> 20	Alternative shopping channels (e.g. Internet, TV, Phone)	_____	_____

## SECTION 5: CLASSIFICATION

The following four questions are just for classification purposes only.

25. Which channel category best describes the market in which you compete?

☐ Food

☐ Drug

☐ Mass Merchandise

☐ Convenience

☐ Super Center

☐ Specialty

☐ Other (Please Specify): \_\_\_\_\_

26. Is your company presently using an EDLP (everyday low pricing) program or "High-Low" pricing program or a combination (EDLP and "High-Low") pricing program?

☐ EDLP

☐ High-Low Pricing

☐ Combination Pricing

☒ Don't Know/Not Sure

27. What were the total sales for your company in calendar year 1999?

☐ Under \$100 Million

☐ \$100 Million to \$500 Million

☐ \$500 Million to \$1 Billion

☐ \$1 Billion to \$5 Billion

☐ \$5 Billion \$20 Billion

☐ \$20 Billion or more

28. Do the responses on this questionnaire apply to... (Please "X" one)

☐ The entire company

☐ A division

☐ Other (Please Specify): \_\_\_\_\_

Thank you very much for your participation. As a token of our appreciation, we would like to send you a copy of this report by mail. Please provide us with your contact information.

Respondent Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company Name: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

State: \_\_\_\_\_

Phone #: \_\_\_\_\_

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